

Interim Report

To The 83rd Texas Legislature, SB1, Rider 14 (83R)

The Impact of Offering Alternative Health Insurance
Options to State Employees Enrolled in the
Texas Employees Group Benefits Program

September 1, 2014



EMPLOYEES RETIREMENT SYSTEM OF TEXAS

Executive Director

Ann S. Bishop

Board of Trustees

Brian D. Ragland, Chair

Frederick E. Rowe, Jr., Vice-Chair

Cydney Donnell

Yolanda Griego

I. Craig Hester

Cheryl MacBride

200 E. 18th Street
P.O. Box 13207
Austin, Texas 78711-3207

www.ers.state.tx.us

September 2014

Table of Contents

EXECUTIVE SUMMARY	5
STUDY FINDINGS	5
Some state employees report that their children are uninsured	5
A slightly higher percentage report that their spouses are uninsured.	6
The primary reason for turning down GBP dependent coverage is the cost.	6
One in ten GBP-eligible children are uninsured, or enrolled in Medicaid or CHIP	6
About 40% of respondents with uninsured children would consider a lower-premium plan with a lesser benefit.	7
A flexible funding strategy would allow ERS to offer more plan choice	8
The actuarial impact of offering alternative plans likely would be small	8
BACKGROUND	9
Legislative intent for providing health benefits.	9
Insurance exchange now provides alternative coverage options.	9
SCOPE OF THE REPORT	9
Study objectives	9
STUDY FINDINGS	11
Do state employees have eligible dependents not covered by the GBP?	11
Finding: A small percentage of respondents said they have uninsured dependents.	11
Finding: Some state agencies have a higher incidence of uninsured dependents than others	12
Finding: State employees with uninsured dependents have salaries well below the median	13
Finding: Many “public-sector couples” each carry their own GBP insurance.	14
Are GBP health plans affordable and adequate for their needs?	14
Finding: Respondents with uninsured dependents said the GBP premium was too expensive	14
Finding: Dependents chose other coverage mostly due to affordability, rather than adequacy	15
Do state employees have other options for covering their dependents?	16
Finding: One-third of eligible children identified as having other coverage are enrolled in Medicaid or CHIP	16
Finding: About 80% of eligible spouses who have other coverage are insured through their jobs.	17
Are state employees interested in dependent coverage that could significantly lower their premiums?	18
Finding: 39% of respondents with uninsured children would consider a lower-premium plan..	20
Finding: Respondents whose spouses have their own coverage were least likely to choose the lower-level plans	20
Finding: 76% of respondents with eligible dependents chose to maintain their current coverage	21

Looking back at employee opinions on deductibles in 2010 and 2011 22

ACTUARIAL ANALYSIS 23

Actuarial notes on plan design options 23

Risks of offering multiple plans 24

The importance of the risk pool. 24

Health benefits are a key part of the compensation package. 24

CONCLUSION 25

APPENDIX A: How does GBP coverage compare? 26

Benchmarking employer contributions. 26

HealthSelectSM of Texas coverage is competitive. 26

APPENDIX B: The Applicability of the Affordable Care Act (ACA) 27

How did ERS account for ACA issues in the survey?. 27

Can GBP-eligible dependents qualify for subsidies on the exchange? 27

APPENDIX C: The Survey. 28

Alternative benefit plans offered to employees with dependents 28

General demographics 30

Data limitations and other notes 31

APPENDIX D: Participants in the Survey Preview Sessions 32

State agency representatives who previewed the survey on March 24, 2014 32

Policy makers represented at the survey preview on April 4, 2014 32

APPENDIX E: Income Limits for ACA Subsidies, Texas Medicaid, and CHIP 33

AGENCY PROFILE: Texas Department of Criminal Justice. 34

AGENCY PROFILE: Health and Human Services Commission 35

AGENCY PROFILE: Texas Department of Transportation 36

AGENCY PROFILE: Department of Family and Protective Services 37

AGENCY PROFILE: Department of State Health Services 38

AGENCY PROFILE: Department of Aging and Disability Services 39

AGENCY PROFILE: Texas Commission on Environmental Quality 40

AGENCY PROFILE: Texas Workforce Commission 41

AGENCY PROFILE: Department of Assistive and Rehabilitative Services. 42

AGENCY PROFILE: Texas Department of Public Safety 43

How much does dependent coverage cost?

The State of Texas currently pays 100% of the cost for employee-only health coverage and 50% of the cost for dependent coverage. This works out to a blended state contribution of 67% for employee and family coverage.

What the State calls the monthly “contribution” is essentially the same as an insurance “premium,” and the terms will be used interchangeably throughout the report.

The employee’s monthly cost for dependent coverage varies based on who is covered.

- An employee covering one or more child(ren) pays about \$200 a month.
- An employee covering a spouse pays about \$300 a month.
- An employee covering a spouse and child(ren) with family coverage pays about \$500 a month.

EXECUTIVE SUMMARY

ERS used a survey approach to determine the impact of offering alternative health insurance options to state employees enrolled in the Texas Employees Group Benefits Program (GBP). The charge stemmed in large part from concerns raised during ERS’ FY12 Interim Study on the Sustainability of the GBP that “many state employees in low-wage, high-stress, high-turnover jobs do not sign up for dependent coverage because they can’t afford it.”

We identified four primary questions of interest, hired an independent research organization, and conducted a census of 136,142 state agency employees enrolled in the GBP, with a special outreach to low-income state employees. The sample included about 3,000 higher education employees with state service. Retirees were not surveyed.

The median income of a full-time state employee enrolled in the GBP is about \$40,000. In this report, a “lower-income employee” is defined as one who earns less than \$40,000.

STUDY FINDINGS

Some state employees report that their children are uninsured.

Do state employees have eligible dependents not covered by the GBP?

All surveyed employees were asked if they had eligible children or a spouse, and whether those dependents were covered by the GBP, uninsured, or had other coverage.

- 3.7% of all respondents with eligible children reported that their children were uninsured. If this result is extrapolated to the entire surveyed population, ERS estimates that about 4,200 eligible children of state employees are uninsured. Expanding the estimate to include higher education employees increases the estimate to 6,400 uninsured eligible children.¹

¹Assumptions about the state employee population were extrapolated to the higher education employee population. Because just 3,000 higher education employees with state service were surveyed, these extrapolated numbers cannot be verified as statistically valid. However, ERS believes they are a reasonable estimate, given the available data.

A slightly higher percentage report that their spouses are uninsured.

- 5.5% of all respondents with eligible spouses reported that their spouses were uninsured. If this result is extrapolated to the surveyed population, ERS estimates that about 3,100 eligible spouses of state employees are uninsured. Expanding the estimate to include higher education employees increases the estimate to 4,800 uninsured eligible spouses.

An estimated total of 11,200 uninsured dependent children and spouses represents about 2% of the current GBP enrollment of over half a million participants. Although 2% seems small, for those employees who cannot afford to provide health insurance for their dependents, paying for health care is a real concern. And according to large state employers with high turnover in critical positions, it can be a recruitment and retention issue as well.

The primary reason for turning down GBP dependent coverage is the cost.

Are GBP health plans affordable and adequate for their needs?

- About 70% of respondents with uninsured dependents earn less than \$40,000 a year.
- The primary reason cited for turning down GBP dependent coverage was the premium cost.

Do state employees have other options for covering their dependents?

- 81% of respondents' spouses with other coverage have insurance through their own jobs.
- Many "public sector couples" each carry their own GBP plan. In fact, 30% of spouses with "other coverage" have their own GBP plan as an employee or retiree.

One in ten GBP-eligible children is uninsured, or enrolled in Medicaid or CHIP.

- 34% of respondents' eligible children with other coverage were enrolled in Medicaid or CHIP. Extrapolating to the surveyed population, ERS estimates that about 7,600 eligible children of state employees – or one in 10 – are enrolled in Medicaid or CHIP.
- Expanding the estimate to include higher education employees, another 4,000 children of higher education employees could be included in this group.²

The current estimate of 11,600 children potentially enrolled in Medicaid or CHIP compares to 13,000 children enrolled in the State Kids Insurance Program (SKIP) in 2011, when it was phased out and those children were allowed to enroll in the federal Children's Health Insurance Program (CHIP).

Adding 6,400 uninsured children to 11,600 children on Medicaid or CHIP, ERS estimates that about 18,000 children of state and higher education employees may be uninsured or enrolled in a federally subsidized health plan.

²Assumptions about the state employee population were extrapolated to the higher education employee population. Because just 3,000 higher education employees with state service were surveyed, these extrapolated numbers cannot be verified as statistically valid. However, ERS believes they are a reasonable estimate, given the available data.

About 40% of respondents with uninsured children would consider a lower-premium plan with a lesser benefit.

Are state employees interested in GBP dependent coverage that could significantly lower their premiums?

All respondents who indicated that they had GBP-eligible dependents were given three health plan choices and an option to select “no change.” The coverage choices were HealthSelectSM of Texas; a lower-premium plan with a \$4,200 deductible; and a zero (\$0) premium plan with a \$6,700 deductible.

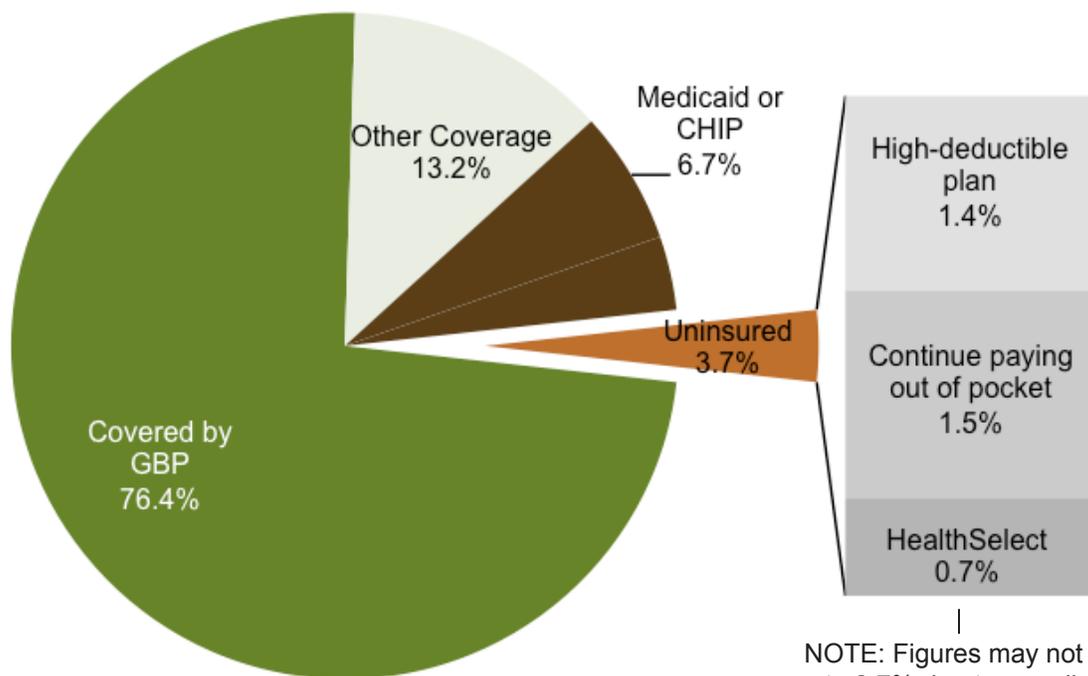
- 23% of all respondents with eligible dependents indicated that they would consider a lower-premium, high-deductible plan; with 77% of that group electing no change in their current GBP (or other) coverage.
- 39% of the 3.7% of respondents with uninsured children would consider one of the lower premium options, while 42% of those would choose to continue paying out-of-pocket for their children’s health care.
- As seen in Figure 3, this 39% response represents 1.4% of respondents who said they had GBP-eligible children.

These findings raise the question, “What is affordable?” The two high-deductible plan alternatives offered in the survey were designed to significantly reduce the monthly premium for dependent coverage.

At first glance, a zero (\$0) premium option should meet the definition of “affordable,” but the premium does not represent the full cost of the plan. Two likely deterrents to choosing the alternative plans: the zero-premium plan had a \$6,700 deductible, and the employee would have to forgo his own 100% paid employee-only HealthSelect or HMO coverage to enroll the entire family in the high-deductible plan.

Figure 1: Of all respondents with GBP-eligible children, 1.4% showed interest in a high-deductible health plan.

(This chart represents how GBP-eligible children are currently covered, and how employees with uninsured children might choose to cover them.)



NOTE: Figures may not add to 3.7% due to rounding.

A flexible funding strategy would allow ERS to offer more plan choice.

Although ERS modeled these alternative health plans for the purposes of the survey, the GBP currently does not offer a choice of health plans priced at different premium levels. Statute³ requires the State to provide uniform insurance benefits for all employees and their dependents, and the appropriations bill sets the premium structure. For over 20 years, the state contribution has been 100% for employee-only and 50% for dependent coverage. Employees may choose from three plans of equivalent value and price, depending on where they live.

The existing premium structure prevents ERS from developing an alternative plan where the State pays more than 50% of the cost for dependent coverage. Therefore, ERS may not offer either the zero-premium plan or the discounted-premium plan included in the study at this time.

It has been a long-standing policy of the Texas Legislature to offer the 100% state contribution strategy in recognition of the lower salaries of public servants, and as an incentive for recruiting and retaining qualified employees. However, the policy decision to pay 100% of member-only coverage is the most significant barrier to offering more choice among plans. In order to offer multiple plans as modeled in the survey, the Legislature would need to change the contribution strategy. While the ERS Board of Trustees has full power over the GBP health benefit plan design, depending on the number and degree of changes to the plan, offering a lesser level of benefits for dependents could require changes to Section 1551 of the Texas Insurance Code.

Many private and public sector employers offer their employees more choices among health insurance plans. According to Mercer's 2013 National Survey of Employer-Sponsored Health Plans, 51% of the largest employers (more than 5,000 employees) now offer a consumer-directed health plan paired with a tax-free health savings account (HSA) or health reimbursement arrangement (HRA).⁴

The actuarial impact of offering alternative plans likely would be small.

Based on this study and past survey results, Rudd and Wisdom, consulting actuary for the GBP estimates that enrollment in the high-deductible plans described in this report would be low, even with the extra incentive of a lower premium. Implementing one or both of the lower-premium options is expected to have a minimal impact on HealthSelect enrollment levels, the risk pool, or the actuarial soundness of the plan. This does not, however, speak to the added administrative costs to the GBP of designing, bidding, and contracting to offer another plan(s).

For HealthSelect – a self-funded plan – maintaining actuarial soundness simply means that the plan must collect enough revenues to pay for health care expenses and administrative costs. In setting the current monthly contribution rates, there is no need to adjust for the potential of adverse selection since employees do not have the opportunity to select coverage based on how they expect to use health care services.

If several optional levels of benefits were offered, ERS would need to provide for the potential of adverse selection, in recognition of the fact that people generally choose a coverage level based on their own best interests. In other words, the youngest, healthiest, and lowest-income employees would be more likely to choose the lowest-level benefit (e.g., high deductible plan with a zero premium), and the oldest, sickest, highest-income employees would be more likely to choose the highest-level benefit (e.g., HealthSelect).

Although other employers have experienced adverse selection when implementing multiple options, this is usually because they have chosen to “split the risk pool” instead of rating the entire insured population as a unit. ERS assumes in this analysis that the risk pool would stay intact – and the premium rates for multiple options would differ solely on the actuarial value of the benefits. This strategy would minimize the financial impact of any adverse selection. A more detailed actuarial analysis is provided in the Actuarial Analysis section on page 23.

³Texas Insurance Code, Section 1551.002

⁴Mercer, National Survey of Employer-Sponsored Health Plans, 2013

BACKGROUND

Legislative intent for providing health benefits.

As the CEO of the state workforce, the Texas Legislature establishes policy and determines funding for state employee compensation and benefits. The Texas Insurance Code⁵ outlines the Legislature's intent for providing health benefits to the state workforce. The GBP was created to:

- provide uniform insurance benefits for all state employees and their dependents,
- recruit and retain competent employees with benefits at least equal to private-sector benefits,
- encourage employment and service to the State as a career profession,
- promote and preserve the economic security and good health of employees and dependents,
- foster and develop high standards of employee-employer relationships, and
- recognize long and faithful service and dedication of state officers and employees.

HealthSelect, a point-of-service plan, has been the basic health offering for the GBP since 1992. Currently, the GBP offers three plans to employees: HealthSelect and two regional HMOs. Medicare-eligible retirees can also choose from two Medicare Advantage (MA) plans. The GBP covers more than half a million state and higher education employees, retirees, and their dependents. The University of Texas and Texas A&M University systems do not participate in the GBP.

Insurance exchange now provides alternative coverage options.

The Affordable Care Act (ACA) has had a significant impact on the employer benefits landscape. Employees now have new choices for covering their dependents that weren't available a year ago. On October 1, 2013, a federally-facilitated "public insurance exchange" (the public exchange) opened in Texas (www.healthcare.gov), offering Texans one-stop shopping for a variety of standardized private health plans. Although the federal government will now provide tax subsidies for health insurance premiums and/or out-of-pocket costs for some people with lower incomes, low-income state employees and dependents who have access to GBP coverage will not qualify for federal subsidies.⁶ Appendix B describes in more detail how ERS factored ACA issues into its analysis.

SCOPE OF THE REPORT

This report provides a framework for evaluating the impact of offering basic health options to state employees, especially those with dependent coverage. The impetus for this report – while not explicitly stated in Rider 14 – is concern that some state employees who work in the lowest-paid, highest-turnover jobs – like aides at State-Supported Living Centers or entry-level prison guards – decline dependent health coverage because they can't afford the cost. This particular problem – the cost of premiums – is only an issue for dependent coverage, since employees with individual coverage do not pay a premium.

When an employee enrolls in the GBP, neither the employing agency nor ERS collects data on any family members who are not enrolled in the plan. So at the time of the charge, information about the number of uninsured children and/or spouses was unavailable. Therefore, ERS conducted market research to learn more about employee demographics, and the extent of need and interest in lower-premium dependent coverage. The study objectives provide a clear outline of the report content.

Study objectives.

- **Test the validity of the assumption that lower-income state employees cannot afford dependent coverage.** ERS broke this assumption into four overarching research questions:

⁵Texas Insurance Code, Section 1551.002

⁶Treasury Regulation 1.36 B-2(c)(3)

- a. Do state employees have eligible dependents not covered by the GBP?
 - b. Are GBP health plans affordable and adequate for their needs?
 - c. Do state employees have other options for covering their dependents?
 - d. Are state employees interested in GBP dependent coverage that could significantly lower their premiums?
- **Create a formalized mechanism for data collection, analysis, and reporting on employee preferences with regard to their benefits.** To this end, ERS contracted with an independent research organization – The University of Texas Institute of Organizational Excellence (UT-IOE) — to administer a voluntary survey to more than 136,000 state employees. The survey provided a statistically valid response rate of 18% with a +/- 3% confidence interval. For more information about survey administration, see Appendix C.
 - **Design a transparent and inclusive process that invited those with a stake in the outcome to participate.** In addition to inviting a broad census of state employees to take the survey, ERS held three survey preview sessions with state employees, benefits coordinators, and key policy staff. We also provided special briefings on the survey for association representatives, the ERS Board of Trustees, large state agency leadership, and legislative staff. See Appendix D for a list of state agencies and legislative offices that participated in the survey preview sessions.
 - **Provide at least two lower-premium health plan options to consider (including a zero (\$0) premium plan), and an actuarial analysis of providing more choice.** The charge directed ERS to “use simulation modeling or similar methods to project the effects of making basic life and basic health plans available.” Rudd and Wisdom designed two lower-premium options for dependent coverage to present to state employees. Both options were designed with the primary goal of significantly reducing the employee’s monthly premium. Both plans had high enough deductibles to qualify for a health savings account, the benefits of which were explained in the survey.
 - **Educate state employees about the trade-offs between premiums and deductibles.** This was the third member survey conducted by ERS since 2010 that has provided clear information to state employees about the relationship between premiums and deductibles. By presenting two lower-premium options with high deductibles, this survey again communicated to state employees that the only way to significantly reduce their dependent premiums is by adding a deductible to the plan. For context, we provide a brief overview of past survey questions related to member preferences for deductible plans.
 - **Conserve cost and effort to the program by targeting the survey.** The survey was designed with a primary target group in mind – lower-income state employees with dependent coverage – as this group was identified by state agency leaders as a population of concern, and it is the group most likely to benefit from more lower-premium choices. To allow for full participation, all state agency and higher education benefits coordinators – the onsite human resource contacts for most employees – were notified of the survey. An open survey link was available on the ERS website for six weeks, and the ERS contact center provided access to written surveys upon request. Approximately 3,000 higher education employees were asked to complete the survey electronically. Retirees were not surveyed at this time because (a) they have fewer dependents, and (b) Medicare-primary retirees already have a lower-cost option available to them with the Medicare Advantage plans.
 - **Collect data needed to estimate how many eligible children and spouses may be uninsured or eligible for Medicaid or CHIP.** The study anticipated that some uninsured children and spouses may have other options for coverage through Medicaid, CHIP, or the ACA exchange. New federal definitions about the affordability of health care coverage rely on information currently not collected by the State. The survey collected self-reported data about family size, household income, and age ranges of children, in an attempt to draw conclusions about potential eligibility for other coverage.
 - **Discuss the impact of federal health reform on employer and employee benefit choices.** With a host of new regulations, tax incentives, and the availability of a public exchange marketplace, the ACA has had a significant impact on employee benefits. This report gives a high-level policy review of the primary relevant ACA issues in Appendix B.

STUDY FINDINGS

Do state employees have eligible dependents not covered by the GBP?

Before any other research could be done, ERS had to address the question of how many eligible dependents were not being covered by the GBP, and of those, how many were uninsured.

- Of all survey respondents, 49% reported that they have children who are eligible for the GBP; and 56% reported having an eligible spouse.
- A small portion of those respondents indicated that their children or spouses were uninsured.

Finding: A small percentage of respondents said they have uninsured dependents.

- Extrapolating the results of the survey, ERS estimates that state employees have about 4,200 GBP-eligible uninsured children. Expanding the estimate to include higher education employees increases the estimate to 6,400 uninsured eligible children.⁷
- In comparison, ERS estimates that about 3,100 eligible spouses of state employees are uninsured. Expanding the estimate to include higher education employees increases the estimate to 4,800 uninsured eligible spouses.
- While these seem like large numbers, they actually represent a very small proportion (2%) of the current GBP enrollment of over half a million participants. However, for those people who need affordable insurance for their children, it's not a small issue. And according to large employers with high turnover in critical positions, it can be a recruitment and retention issue as well.

Figure 2: Less than 4% of respondents with eligible children report that their children are uninsured.

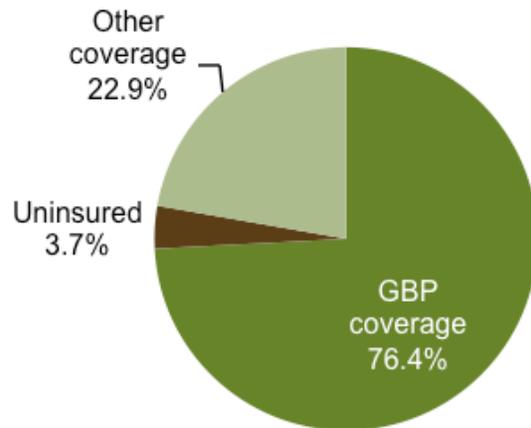
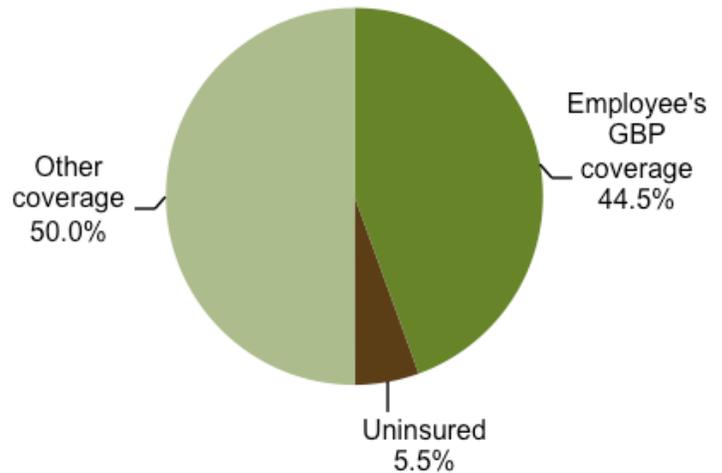


Figure 3: A slightly higher percentage (5.5%) of respondents with eligible spouses report that their spouses are uninsured.



⁷Assumptions about the state employee population were extrapolated to the higher education employee population. Because just 3,000 higher education employees with state service were surveyed, these extrapolated numbers cannot be verified as statistically valid. However, ERS believes they are a reasonable estimate, given the available data.

Finding: Some state agencies have a higher incidence of uninsured dependents than others.

Figure 4: Employees at the Texas Workforce Commission are most likely to report that they have uninsured children
(percentage of respondents with GBP-eligible children reporting that their children are uninsured)

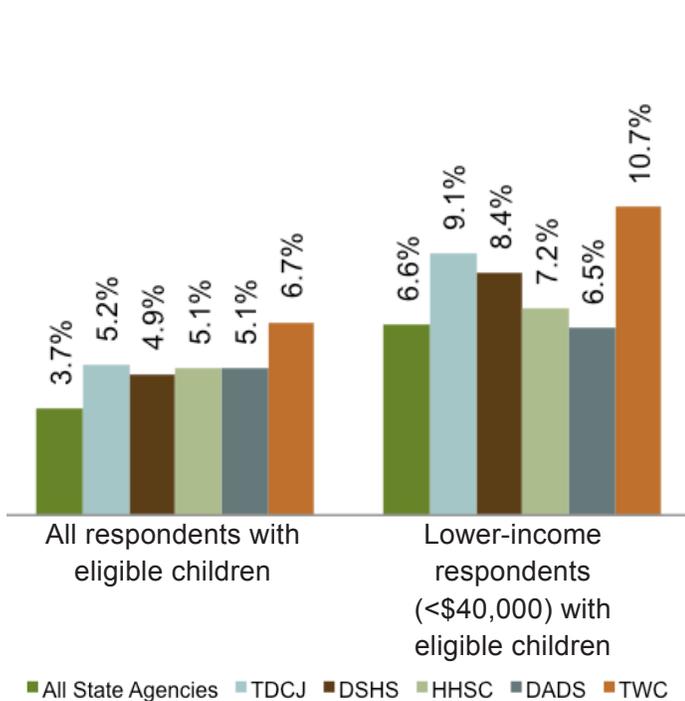


Figure 5: Employees at the Texas Health and Human Services Commission are most likely to report that they have uninsured spouses
(percentage of respondents with GBP-eligible spouses reporting that their spouses are uninsured)

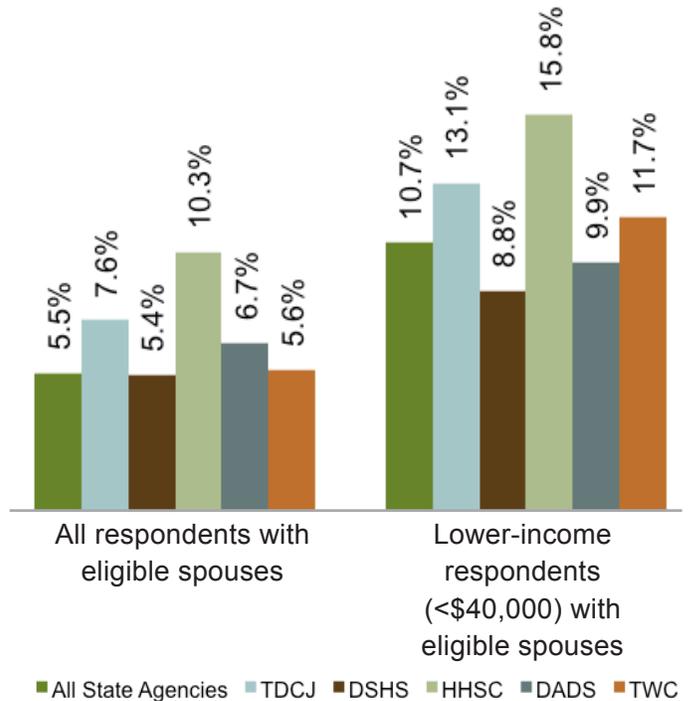


Figure 6: What kind of state employee has uninsured children?

These are fictitious examples generalized from the data set. Any resemblance to an actual state employee is coincidental.		
FAMILY PROFILE	JANE is a 43-year old single mom who has worked for the State for eight years. She earns \$32,400 a year. Jane has a baby boy (<1) and a daughter age 10 with special needs.	JACK is a 41-year old correctional officer who has worked for the State for four years and earns \$35,700 a year. Jack has a wife who stays at home with their three-year-old daughter and their seven-year-old twins.
JOB	Jane works for the Texas Department of Family and Protective Services in Austin. She inspects complaints about abuse and neglect in child day care facilities.	Jack works for the Texas Department of Criminal Justice in Huntsville. He supervises prisoner work groups, maintains discipline and security, preventing escapes and sometimes restraining assaultive offenders.
CURRENT INSURANCE	Jane is covered by the GBP, but both of her children are uninsured. The \$206 monthly premium for GBP child coverage would cost 8% of her gross income.	Jack is covered by the GBP, but his family is uninsured. The \$515 monthly premium for GBP family coverage would cost 17% of his gross income.
MEDICAID/CHIP OPTIONS	Jane's baby boy could qualify for Medicaid until he turned one, after which he could qualify for CHIP. Her daughter could qualify for CHIP.	For a family of five, Jack's income is under 133% of the federal poverty level, so all of his children would qualify for Medicaid.
ACA OPTIONS	Because they have access to GBP coverage, Jane and her dependents do not qualify for federal subsidies. A search on healthcare.gov showed a basic employee + child silver plan on the public exchange without a subsidy would cost \$513 a month.	Because they have access to GBP coverage Jack and his dependents do not qualify for federal subsidies. A search on healthcare.gov showed a basic silver employee + family plan on the public exchange without a subsidy would cost \$881 a month.

Finding: State employees with uninsured dependents have salaries well below the median.

Figure 7: 72% of respondents with uninsured children earn about <\$40,000 a year.

NOTE: Figures may not add to 100% due to rounding.

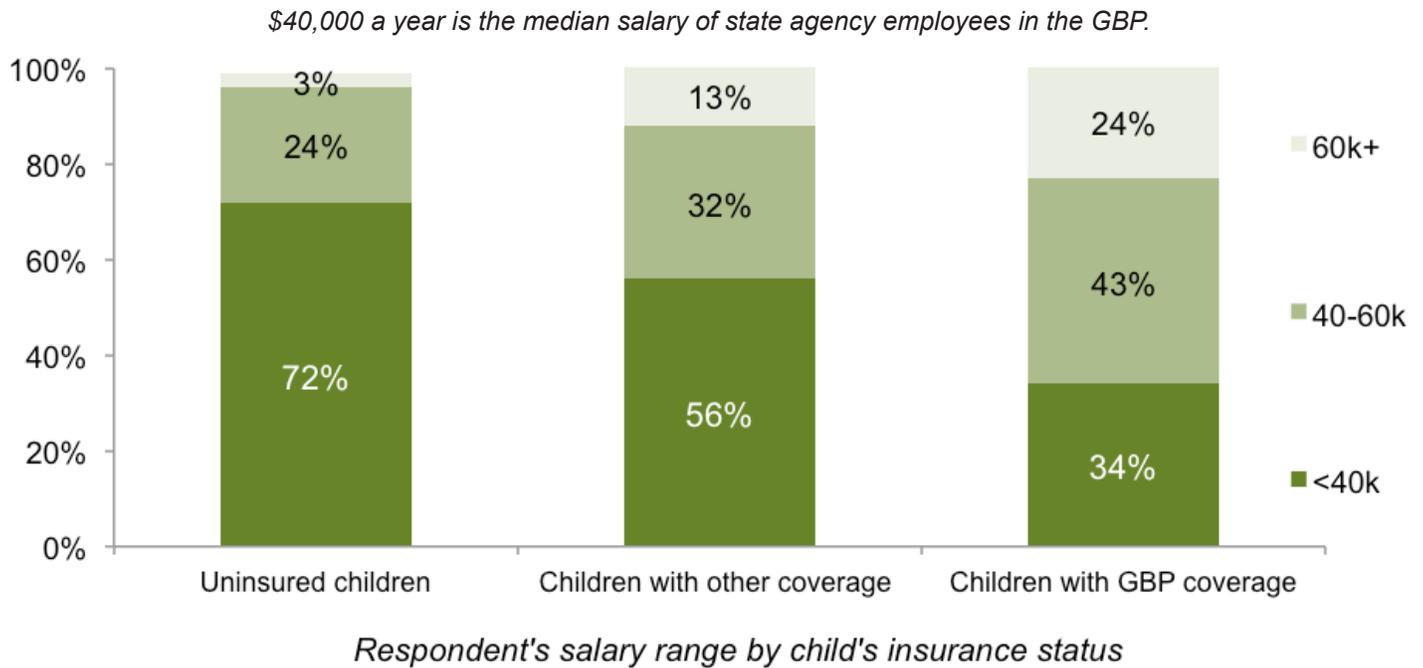
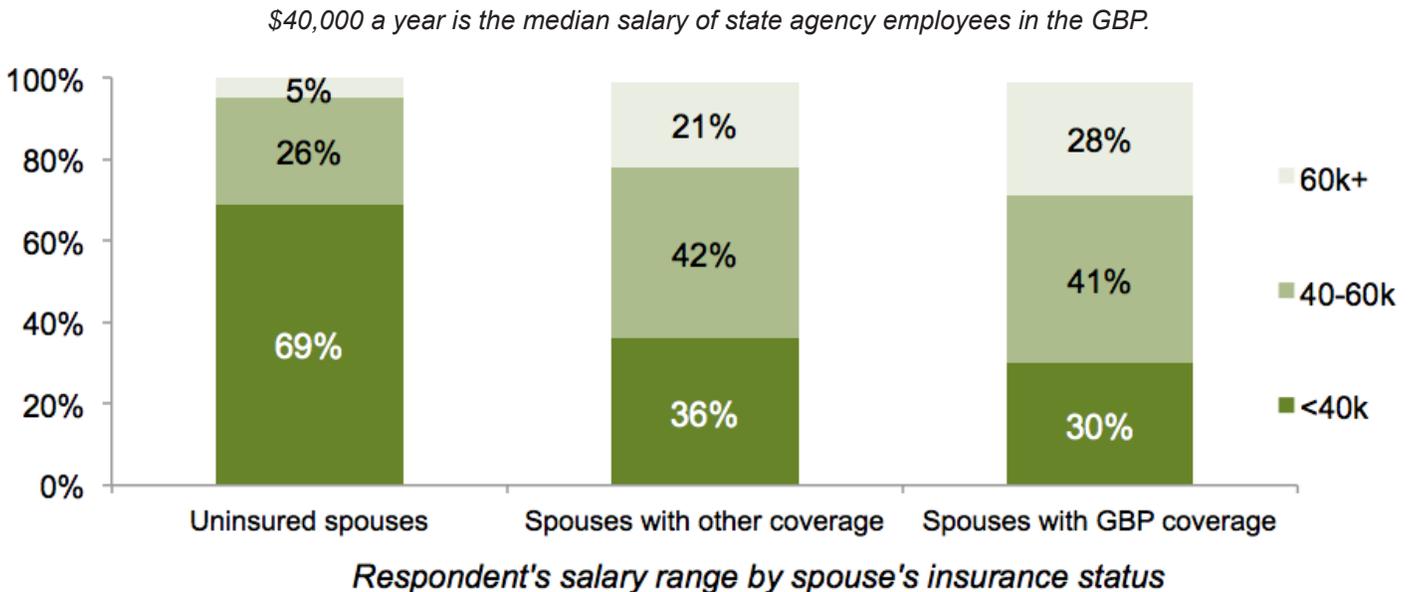


Figure 8: 69% of respondents with uninsured spouses earn about <\$40,000 a year.

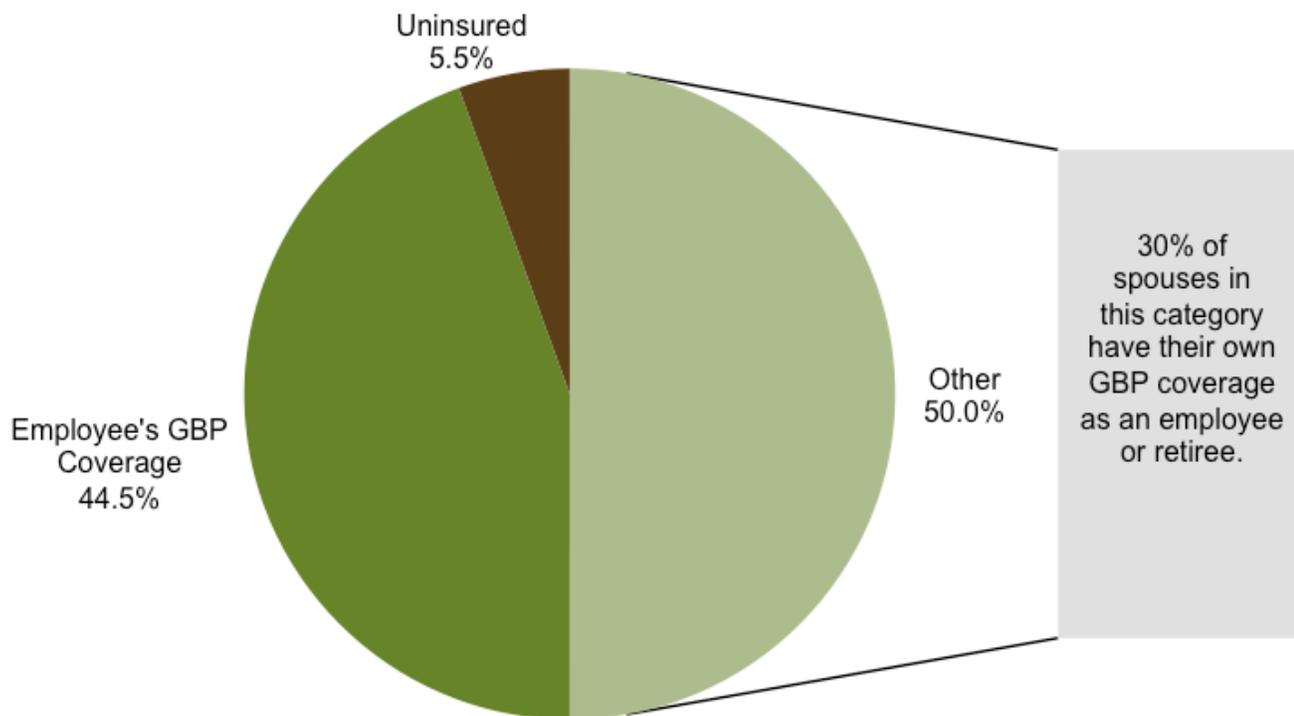
NOTE: Figures may not add to 100% due to rounding.



Finding: Many “public-sector couples” each carry their own GBP insurance.

There are many “public-sector couples” who both work for the state or higher education, and they each enroll separately for GBP. In fact, 30% of eligible spouses with “other coverage” have their own GBP coverage as an employee or retiree. This makes perfect sense, as it’s far less expensive for the husband and the wife to each have their own fully-paid employee-only coverage, than for them to pay \$300 a month for spouse coverage. In a family with two state employees as parents, it is also less expensive for one parent to enroll in employee-only coverage and the other to enroll in employee-plus-child coverage at \$200 a month, instead of paying \$500 a month for employee-plus-family coverage.

Figure 9: 30% of respondents with GBP-eligible spouses with “other coverage” are state employees or retirees with their own GBP health coverage.



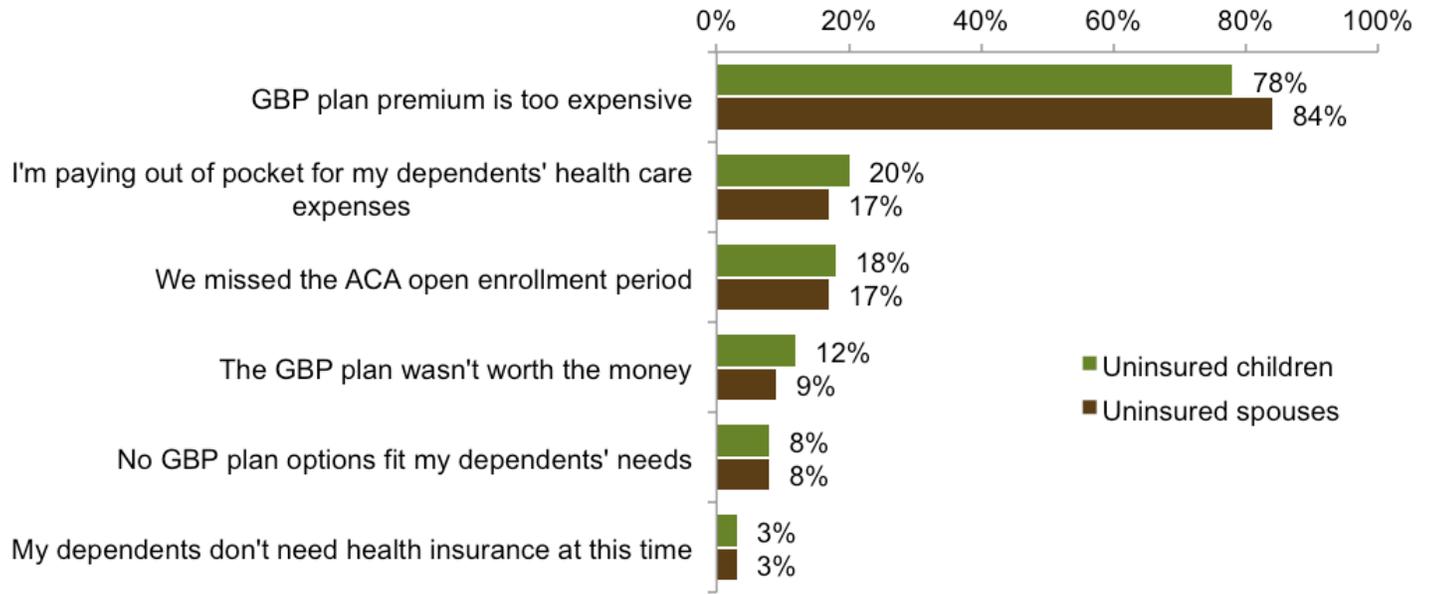
Are GBP health plans affordable and adequate for their needs?

When 25% of state employees with eligible children and 40% of state employees with eligible spouses choose not to cover their dependents with the GBP, the hypothesis is that it’s too expensive. In general, expense was cited as a major reason for not covering through the GBP, but in many cases, spouses or children had other options available to them.

Finding: Respondents with uninsured dependents said the GBP premium was too expensive.

For respondents with uninsured dependents, the number one reason reported for not adding a dependent to the GBP was cost. Many respondents report that they are paying out of pocket for their uninsured dependents’ medical expenses, and almost 20% considered enrolling in ACA coverage but missed the deadline. A small minority (8%) said that the GBP did not fit their needs. Just three percent (3%) said their dependents did not need health coverage at this time.

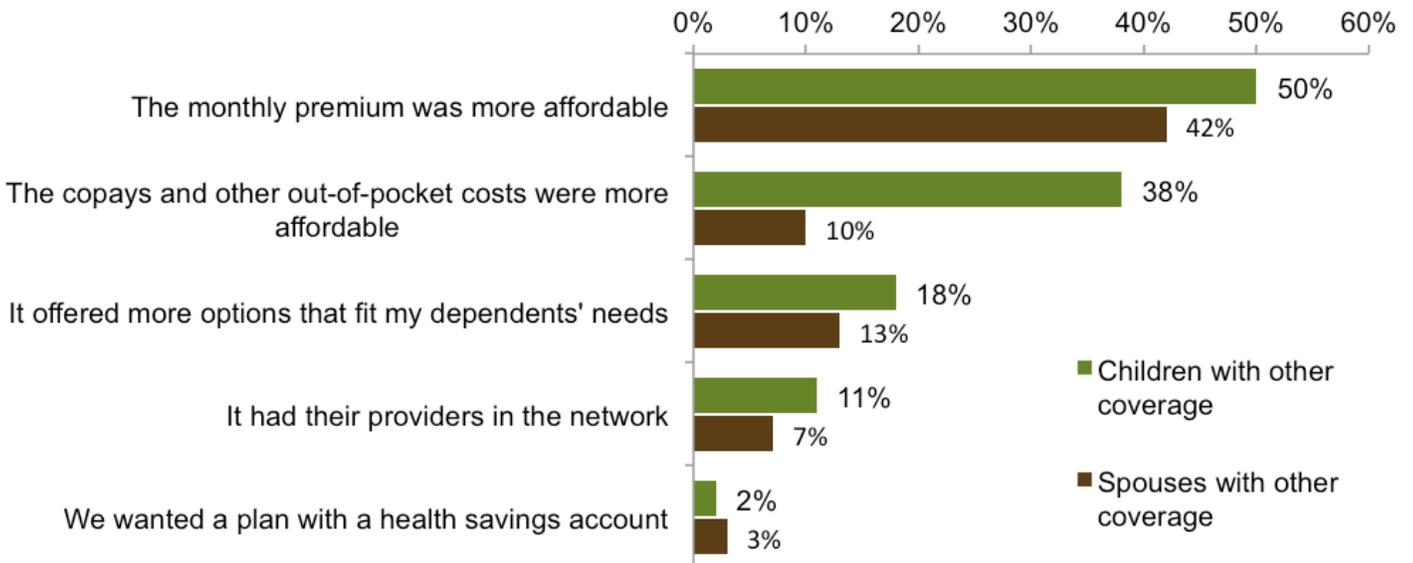
Figure 10: Most respondents with uninsured dependents said the GBP premium was too expensive.
 Percentages do not add to 100%. Respondents could choose more than one answer.



Finding: Dependents chose other coverage mostly due to affordability, rather than adequacy.

Figure 11: Respondents with eligible dependents indicated that other coverage was chosen mostly due to affordability, rather than adequacy.

Percentages do not add to 100%. Respondents could choose more than one answer.



Do state employees have other options for covering their dependents?

The most notable finding for this question is that one-third of eligible children with “other insurance coverage” are enrolled in a public program such as Medicaid or CHIP. This points to the fact that many state employees have incomes low enough to qualify their children for federally-subsidized health programs.

Most “other coverage” being provided for children is through the spouse’s or other parent’s insurance. Likewise, 81% of spouses with “other coverage” are buying insurance through their own employers. While this is not surprising, it is worth noting that those who buy dependent coverage through a spouse or other parent are doing so because that person’s employer pays a greater portion of the cost. The State is actually well served by this decision since it saves money for those dependents to be covered elsewhere.

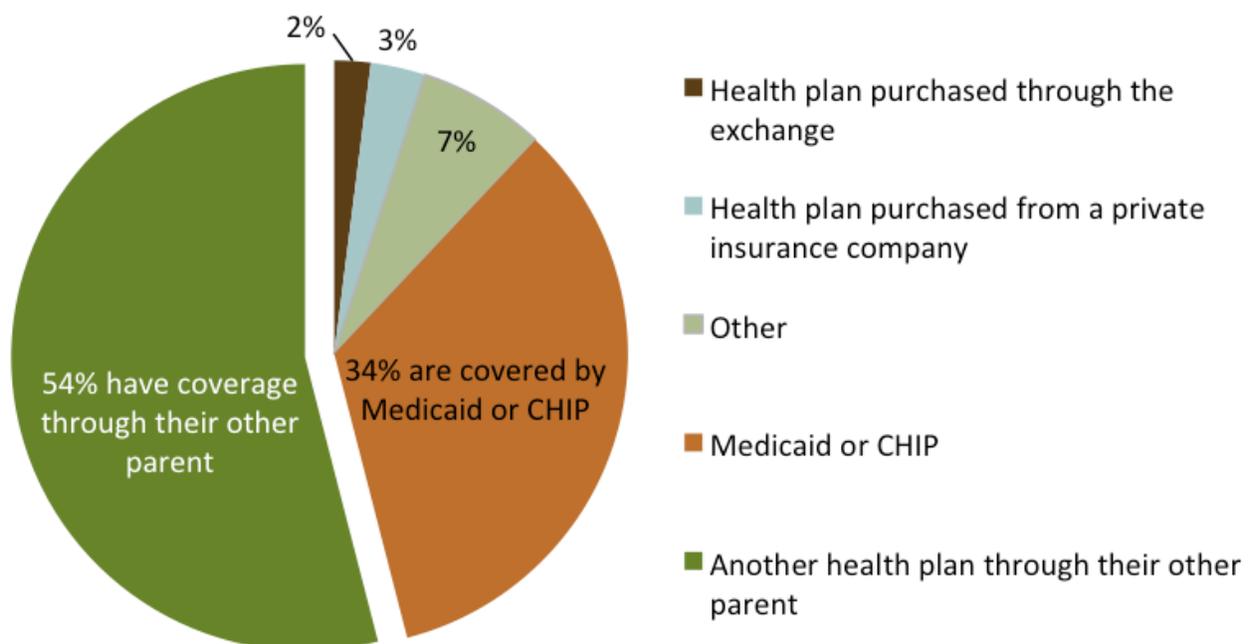
Nearly one-fifth of respondents with uninsured dependents said they missed the ACA deadline for enrolling their dependents in the public exchange. However, only 1% of eligible dependents who had other coverage enrolled through the public exchange. This makes for an interesting example of whether interest in a particular plan results in actual enrollment in that plan. This is particularly relevant to the current study because – like the lower-premium options offered in the survey – most public exchange plans are high-deductible health plans (HDHP).

Finding: One-third of eligible children identified as having other coverage are enrolled in Medicaid or CHIP.

In order for their children to qualify for a federal health insurance program, an employee would have to be earning less than 200% of the poverty level for CHIP, and 138% of poverty level for Medicaid. See Appendix E for the income eligibility guidelines to qualify for Medicaid, CHIP, or ACA subsidies in Texas.

- ERS estimates that one in 10 children eligible for the GBP is either uninsured, or enrolled in Medicaid or CHIP.

Figure 12: One-third of respondents’ children with other coverage are enrolled in Medicaid or CHIP.

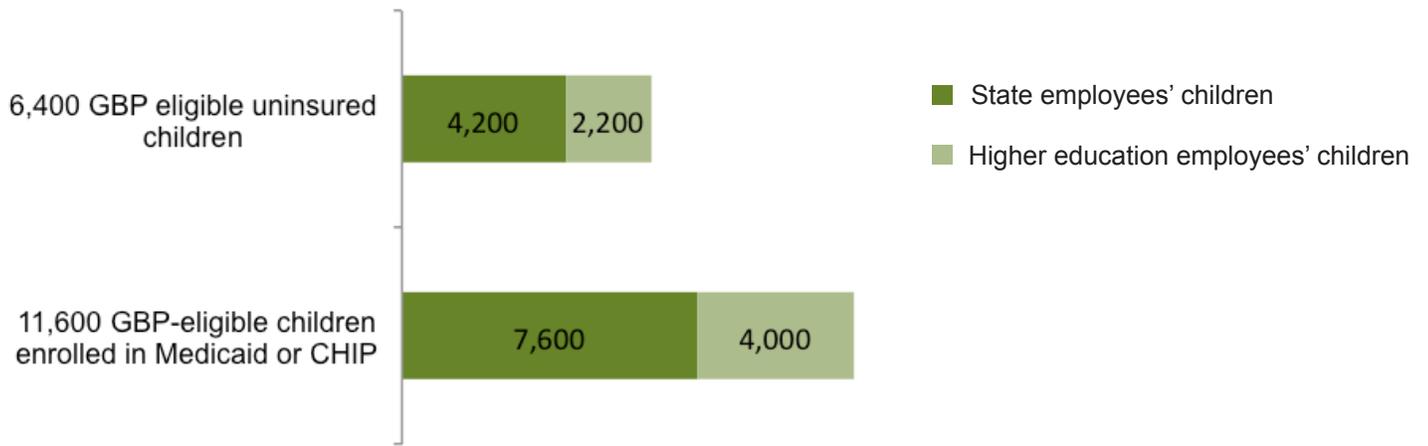


ERS has not previously been able to calculate an estimated number of uninsured children. In FY11 – when SKIP closed, more than 13,000 children of low-income state employees became eligible for the federal CHIP. This last-known number of state and higher education employees’ children on SKIP is somewhat higher than the current survey’s estimate of 11,600 children of state and higher education employees enrolled in Medicaid or CHIP.

- About 4,200 GBP-eligible children of state employees are estimated to be uninsured, and another 7,600 are estimated to be enrolled in Medicaid or CHIP.
- About 2,200 GBP-eligible children of higher education employees are estimated to be uninsured, and another 4,000 are estimated to be enrolled in Medicaid or CHIP.

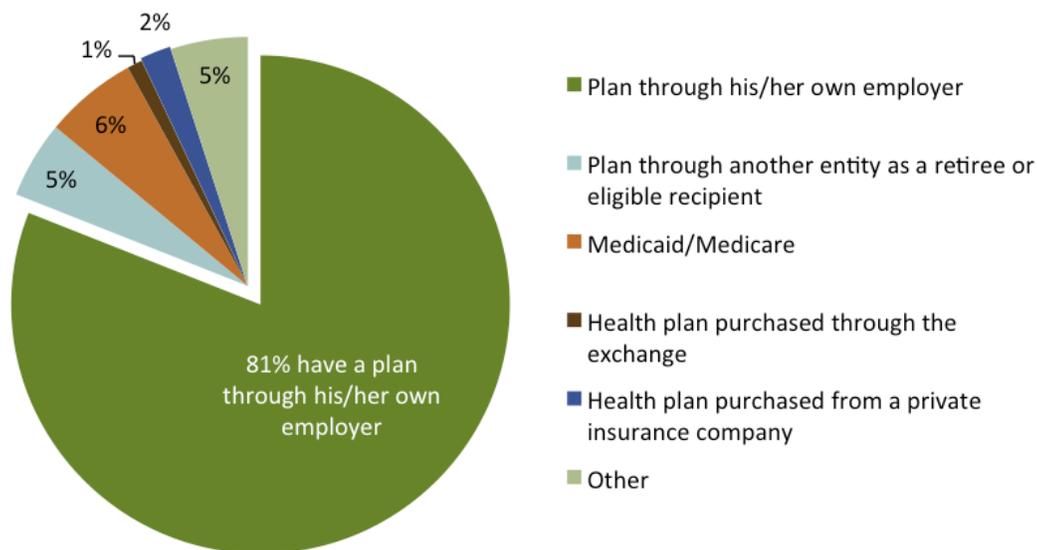
Altogether, this equates to one in 10, or 18,000 children of state and higher education employees who may be uninsured or enrolled in Medicaid or CHIP.⁸

Figure 13: About one in 10 GBP-eligible children is either uninsured or enrolled in Medicaid or CHIP.



Finding: About 80% of eligible spouses who have other coverage are insured through their jobs.

Figure 14: 81% of respondents’ spouses with other coverage have their own employer-based health insurance.



⁸Assumptions about the state employee population were extrapolated to the higher education employee population. Because just 3,000 higher education employees with state service were surveyed, these extrapolated numbers cannot be verified as statistically valid. However, ERS believes they are a reasonable estimate, given the available data.

Are state employees interested in dependent coverage that could significantly lower their premiums?

It is important to note that the only way ERS could reduce premiums in a meaningful way is to lower the overall cost of the plan by reducing benefits. An effective way to do this is to offer an HDHP. A deductible is commonplace in the private sector. In fact, the average private-sector managed care plan deductible ranges from \$500 to \$700, and 51% of employers with more than 5,000 employees now offer an HDHP option with a tax-advantaged HSA or HRA.⁹

According to a new report by the Pew Charitable Trusts, states have been slower than the private sector to offer high-deductible plans, and few state employees enroll. Even though 19 states now offer plans with deductibles of \$1,500 or more, just 7% of state employees eligible for those plans have chosen to enroll in them.¹⁰

Although the 2014 survey offered state employees two dependent coverage options with high enough family deductibles to qualify for an HSA, the added incentive of an employer-funded HSA was not attached to either of the options.

Currently the HealthSelect plan has no out-of-pocket maximum, but beginning September 1, there will be a \$6,350 out-of-pocket max for individual coverage and a \$12,700 out-of-pocket max for family coverage. In FY15, the out-of-pocket max will apply only to medical coverage and not to pharmacy. In FY16, it will be a combined maximum for both.

Figure 15: Educating state employees: How a deductible plan differs from your current coverage

The survey provided the following information to state employees on a preview screen, before they were presented with the alternative health plan options.

Current ERS Coverage for Dependents

- You pay monthly about \$200 for children, \$300 for spouse, or \$500 for family coverage.
- There is no medical deductible and a \$50 drug deductible before the plan starts covering costs.
- Coinsurance caps out at \$2,000. Copays always apply - there is no maximum out-of-pocket for copays.
- Basic preventive care is free (like annual physicals, vaccines, flu shots, mammograms).
- Family members must be enrolled in the same plan.

Deductible Plans

- With higher deductibles, you can lower or eliminate your monthly premium.
- A deductible plan has no copays. You pay 100% of your family's health care costs, until you reach your deductible, after which the plan pays 100%. If you use network providers, you get discounted rates.
- Basic preventive care is free (like annual physicals, vaccines, flu shots, mammograms).
- Family members must be enrolled in the same plan.
- Tax-free Health Savings Accounts are available (where unspent money remains in your account for future medical expenses even if you leave your job).

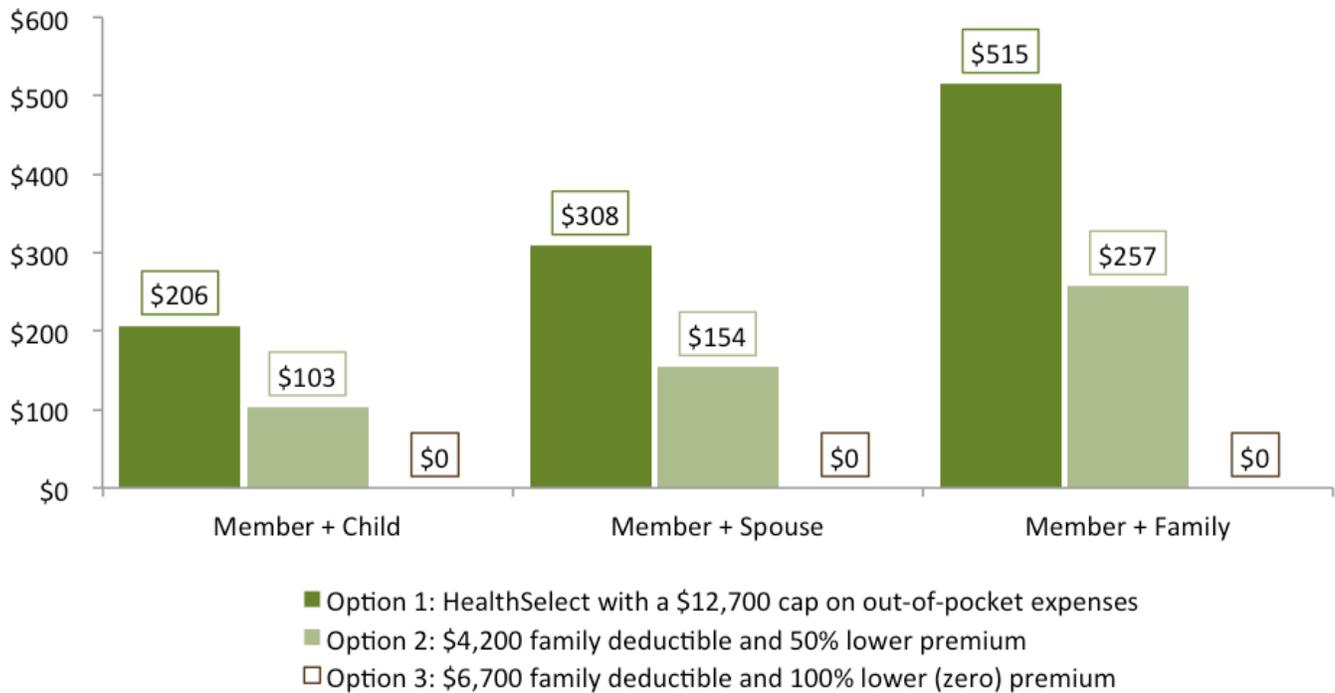
⁹Mercer, National Survey of Employer-Sponsored Health Plans, 2013.

¹⁰Pew Charitable Trusts and the John D. and Catherine T. MacArthur Foundation, "State Employee Health Plan Spending," August 2014, p. 2.

Figure 16: Two lower-premium/high-deductible plan options were presented in the survey.

	Lower-Premium plan with High Deductible	Zero (\$0) Premium plan with High Deductible
Reduction in member rates vs FY15 HealthSelect	50%	100%
Member + child <i>Monthly cost to member</i>	\$103.18	\$0.00
Member + spouse <i>Monthly cost to member</i>	\$154.10	\$0.00
Member + family <i>Monthly cost to member</i>	\$257.28	\$0.00
Required reduction in plan cost vs FY15 HealthSelect	13.5%	27.0%
Family deductible	\$4,200	\$6,700
Family coinsurance	100% / 0%	100% / 0%
Family coinsurance out-of-pocket maximum (after the deductible is met)	\$0	\$0

Figure 17: Comparing member cost: HealthSelect vs lower-premium options
Projected monthly member contribution rates, FY15

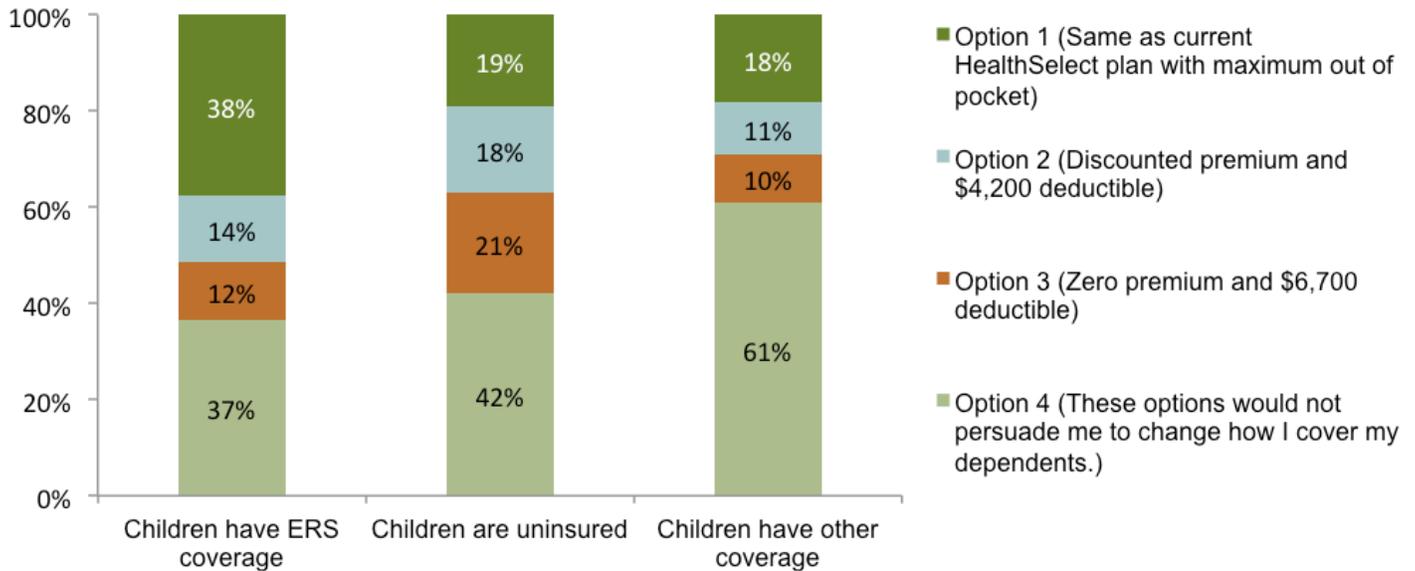


Finding: 39% of respondents with uninsured children would consider a lower-premium plan.

Thirty-nine percent of the 3.7% of respondents with uninsured children would consider one of the lower-premium options, while 42% of those would choose to continue paying out of pocket for their children’s health care. To put this in context, this 39% response represents 1.4% of respondents who said they had GBP-eligible children. This 39% response represents less than 1,000 employees or 0.6% of all surveyed state employees.

Figure 18: 39% of respondents with uninsured children would consider a lower premium plan, while 42% would choose to continue paying out of pocket for their children’s health care.

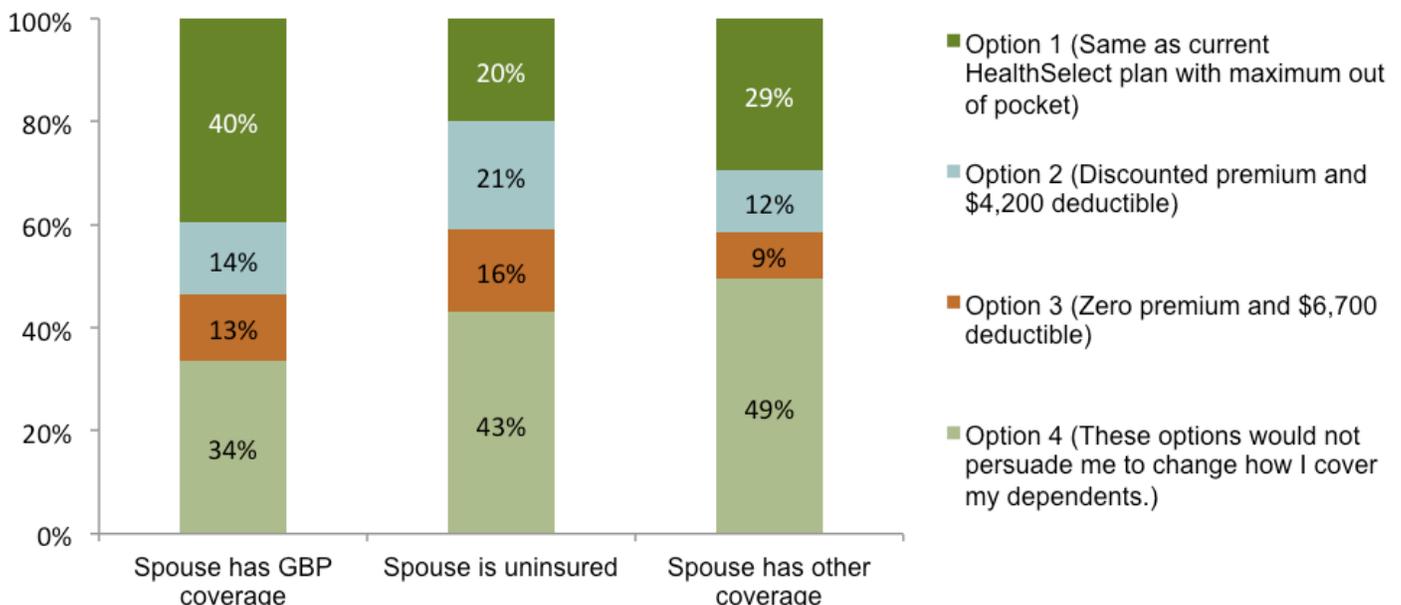
NOTE: Figures may not add to 100% due to rounding.



Finding: Respondents whose spouses have their own coverage were least likely to choose the lower-level plans.

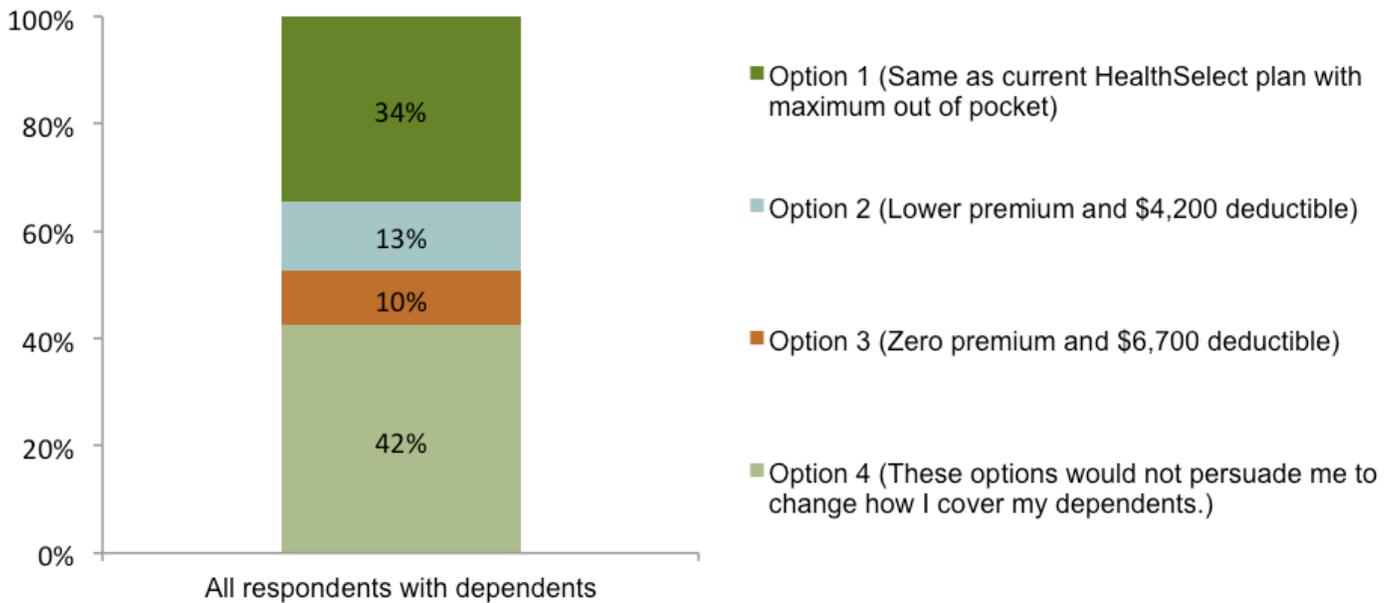
Figure 19: Respondents whose spouses have other coverage were most resistant to making any change in their current situations.

NOTE: Figures may not add to 100% due to rounding.



Finding: 76% of respondents with eligible dependents chose to maintain their current coverage.

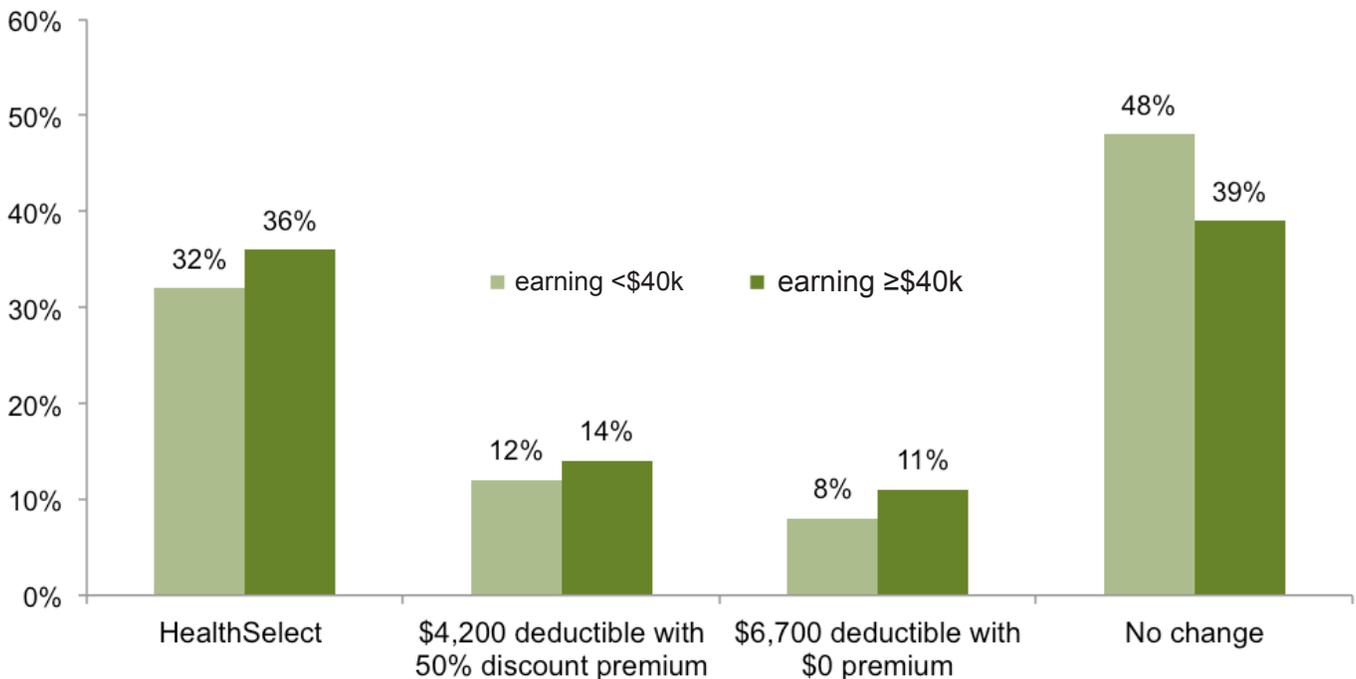
Figure 20: Among all respondents with dependents, roughly three-fourths preferred to maintain their current type of coverage.



In general, lower-income employees were more likely than higher-income employees to say that they preferred to keep their situations exactly the same, whether their dependents had insurance or not.

Figure 21: Lower-income respondents with dependents are more resistant to change, even when their children or spouses are uninsured.

(Represents all respondents with eligible children who selected an option)



Looking back at employee opinions on deductibles in 2010 and 2011.

State employees currently have a \$50 prescription drug deductible and a \$0 medical deductible. In 2010 and 2011, ERS gave employees an opportunity to weigh in on adding a medical deductible to the HealthSelect plan as one option among many for changing their health benefit. Both times, a funding shortfall forced ERS to explore a variety of ideas for cutting plan costs through plan design. It's important to note that deductibles are not a true cost-saving measure; they are just one way to shift costs from the plan to employees.

The high-deductible options provided to employees in the 2014 survey increase the deductible significantly in order to offset the costs of reducing member premiums. Either way, the money to pay health claims must be collected, whether it's on a monthly basis, or out of pocket when a health issue arises.

In 2010, a large majority of respondents opposed a high deductible but some would be okay with a small one. The FY11 plan design changes (made after the 2010 survey) closely reflected employee preferences to increase copays across the board rather than impose a medical deductible.

- Higher copays were more acceptable than a large deductible to 90% of employees.
- 40% were open to a small deductible if it protected them from large increases in copays.

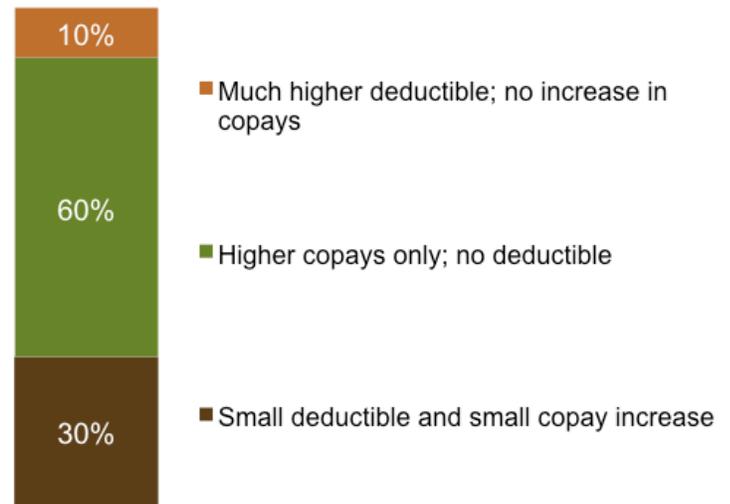
In 2011, a strong preference against deductibles remained; however, income data showed that a tolerance for high deductibles was strongly correlated with earnings.

- One in four high earners ($\geq \$100,000$ year) preferred a \$1,000+ deductible, compared to 10% of low earners ($\leq \$30,000$ year).
- Just 8.8% of all respondents and 6% of low-income respondents preferred a deductible high enough to qualify for a health savings account ($\geq \$1,500$).

In the 2014 survey, 23% of all respondents with eligible dependents expressed interest in high-deductible plans; however, there are some mitigating factors to keep in mind:

- Incentives were different in each survey. In 2014, employees had a big incentive to choose a high-deductible plan – the promise of a greatly reduced or even a zero (\$0) premium. In 2010, employees had no overtly positive incentive to choose a high deductible. Rather, they were given the task of picking the least offensive of a series of options, all designed to increase their costs.
- The surveyed population was different in each survey. In 2014, the question about HDHPs was posed only to full-time state employees who indicated that they had eligible dependents. In 2010 and 2011, ERS surveyed all employees and retirees, including those with single and dependent coverage. At that time, retirees were most opposed to the idea of a high deductible.

Figure 22: Just 10% of all employees and retirees expressed a preference for a high deductible in 2010.



ACTUARIAL ANALYSIS

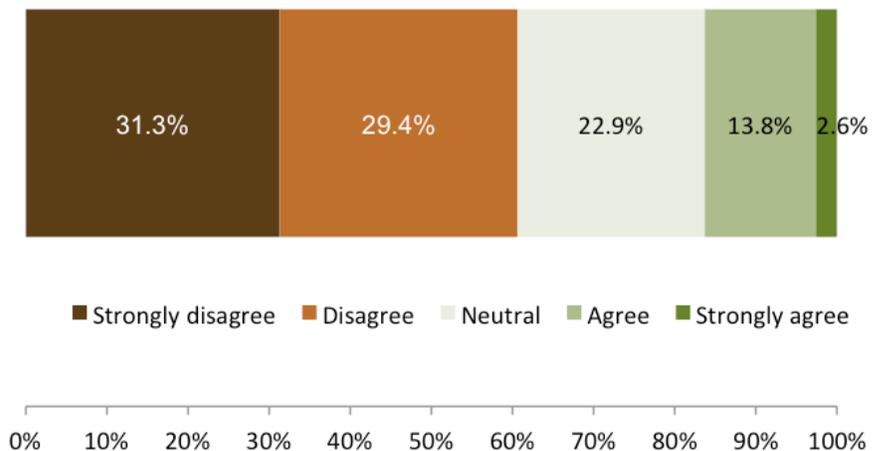
As seen on the previous pages, ERS designed different plan options that would provide employees with reduced premiums for dependent health coverage. Rudd and Wisdom made some actuarial assumptions when designing the lower-premium plans, which are described below.

Actuarial notes on plan design options.

1. The lower-premium plans would be available only to those employees electing dependent coverage. They would not be available to those electing employee-only coverage, since employee-only coverage is paid at 100% and there would be no incentive for these employees to participate in the plans.
2. An employee electing lower-premium coverage would have the same reduced benefits as his/her dependents. This is necessary in order to generate enough overall savings that could be leveraged to reduce the dependent contribution to an “affordable” level without significantly cutting the benefits.
3. The following apply to all of the plans presented by the actuary:
 - a. The deductible is a true family deductible; i.e., benefits are not payable until the family has satisfied the deductible even if only one family member incurs covered expenses during the year.
 - b. Preventive care is covered at 100%; i.e., the deductible does not apply to preventive care.
 - c. The deductible applies to medical and pharmacy benefits combined; i.e., no separate benefits for prescription drugs.
 - d. The plan pays 100% after the family deductible is met; i.e., there is no coinsurance cost to the member after the deductible is paid in full.
4. Under the ACA, the actuarial value of a plan is the percentage of total average costs for covered benefits that a plan will pay. The minimum amount that the ACA requires an employer to pay is 60%, which means that on average, the employee would be responsible for 40% of the costs of all covered benefits. Although Rudd and Wisdom did not test the plans to determine their exact actuarial value, the two options in the survey met the ACA threshold.
5. For each plan, the state contribution for member and dependent coverage would stay at the same level that is applicable to regular HealthSelect, with all of the savings from reduced benefits used to reduce the member contribution for dependent coverage.
6. Two plans were designed to achieve the targeted reductions in employee rates for dependent coverage for FY15 – a 50% discount rate plan, and a \$0 rate plan. The FY15 monthly employee rates for regular HealthSelect dependent coverage are projected based on the 7% increase in per capita state contributions as provided under the FY14-15 Appropriations Bill.

Figure 23: Few respondents with member-only coverage (16.4%) agreed:

“I would be willing to pay some part of my member-only monthly premium in order to minimize other benefit changes.”



Risks of offering multiple plans.

Although the survey and the bulk of this report focused primarily on lower-premium choices for dependent coverage, a bigger-picture question remains of how to offer more plan choice for all employees, and how to address the risks involved. Other private- and public-sector employers tend to offer more plan choices with different levels of benefits. The GBP is limited in its ability to offer more plan choices for two main reasons:

- When the employer pays 100% of the cost for member-only coverage, employees have no incentive to choose anything but the most generous benefit.
- When multiple plan choices are offered, the risk of adverse selection comes into play, which likely would drive up costs for employees and for the State.

A risk adjustment for adverse selection recognizes that people will generally choose in their own best interest. In other words, the youngest, healthiest, and lowest-income individuals will choose the lower-level benefits, and the oldest, sickest, highest-income individuals will choose the higher-level benefits.

The importance of the risk pool.

Having one large plan like HealthSelect means most employees stay in the same risk pool – everybody belongs to the same group and shares risks across the board for the most expensive claims. Even with multiple plans, you can still keep everyone in the same risk pool. Sharing risk keeps costs down for everyone.

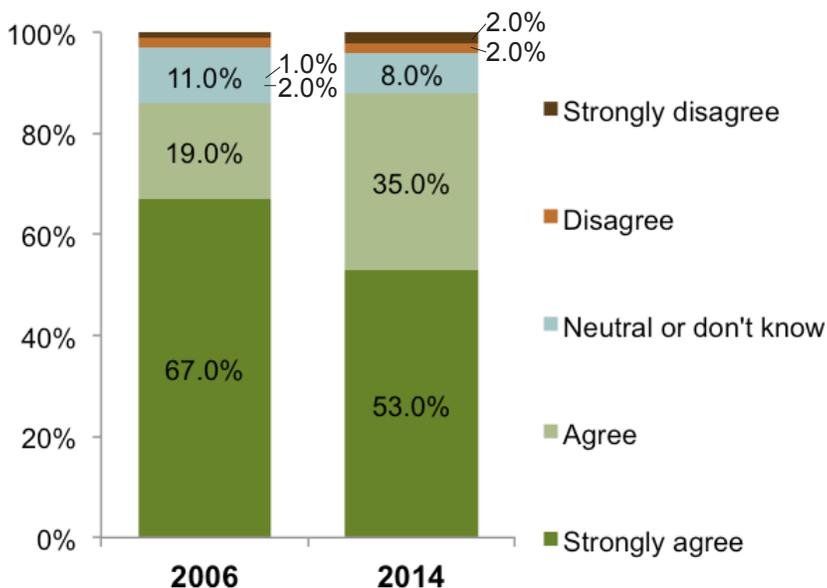
Some employer-sponsored plans have intentionally chosen to split the risk pool as they implement higher- and lower-level benefits, and they rate each plan based on the experience in its risk pool, in order to accelerate the process of moving everyone to the lowest-level benefit.

Health benefits are a key part of the compensation package.

One important consideration when making any change in employee benefits is that state employers use the benefits package to attract and retain a productive workforce. Not only do respondents feel strongly that they deserve good benefits, they also say they would consider leaving state employment if there were a significant change to their benefits. Historically, state employees have responded to cost-shifting with resistance and anxiety – especially when corresponding salary increases were not offered to offset their increased costs.

ERS surveyed employees and retirees in 2006 and again in 2014 about their belief that the state “owes health benefits” to its employees. About 90% of respondents believe that when they retire, they are entitled to receive “the same level of health benefits from the State of Texas” as they do in active employment.

Figure 24: An overwhelming majority (88%) agreed:
“As a state employee, I’m entitled to receive health benefits from the State of Texas.”



CONCLUSION

This study directly addressed concerns raised by large state employers in 2012 that “many state employees in low-wage, high-stress, high-turnover jobs do not sign up for dependent coverage because they can’t afford it.” The study confirmed that 25% of state employees with eligible children and 40% of state employees with eligible spouses choose not to cover their dependents with the GBP.

The large majority of spouses with other coverage (80%) have employer-based insurance through their own jobs. Nearly 6% are reportedly uninsured, but because spouses have access to GBP dependent coverage, they do not qualify for federal subsidies under the ACA. Spouses have fewer options for federal programs in Texas, because they cannot get federal assistance for an exchange plan, nor will they qualify for Medicaid (which is available only to very low-income children and pregnant women).

Perhaps more interesting is the finding that one out of 10 GBP-eligible children is either uninsured or enrolled in Medicaid or CHIP. ERS estimates that this equals approximately 18,000 state and higher education employees’ children. While this is not a large number compared to the more than 500,000 participants in the plan, it does point to the fact that many state employees can easily be counted among the working poor.

Surveyed employees said they turn down GBP dependent coverage primarily due to the cost – which runs as high as \$500+ a month for the employee’s portion of family coverage. Just 8% indicated that the GBP did not meet their needs. Twenty percent of lower-income respondents with dependents chose the lower-cost plan, while 25% of higher-income respondents chose it. The high-deductible plan option was least appealing to respondents with spouses who already had other coverage.

Although ERS modeled two alternative health plans for the purposes of the survey, the GBP currently does not offer a choice of lower- and higher-level health plans with different prices. Statute⁶ requires the State to provide uniform insurance benefits for all employees and their dependents, and the appropriations bill sets the premium structure. An actuarial analysis shows that ERS could offer a lower-level plan (or two) with minimal impact on HealthSelect enrollment levels, the risk pool, or the actuarial soundness of the plan. This does not, however, speak to the added administrative costs to the GBP of designing, bidding, and contracting to offer another plan(s).

For many years, the state contribution has been 100% for employee-only and 50% for dependent coverage. Employees may choose from three plans of equivalent value and price, depending where they live. It has been a long-standing policy of the Texas Legislature to pay the 100% state contribution strategy in recognition of the lower salaries of public servants. However, this policy is the most significant barrier to offering more choice among plans.

The existing premium structure prevents ERS from developing an alternative plan where the State pays more than 50% of the cost for dependent coverage. Therefore, ERS may not offer either the zero-premium plan or the discounted-premium plan included in the study at this time. In order to offer multiple plans as modeled in the survey, the Legislature would need to change the contribution strategy and, depending on the extent of changes to the plan, it could also require changes to Section 1551 of the Texas Insurance Code.

In sum, while a small percentage of eligible children and spouses are uninsured, for those people, paying for health care is a real concern. Some state agencies have a higher incidence of uninsured eligible children than others – notably the Texas Department of Criminal Justice and the larger health and human services agencies. These employers all indicated a problem with high turnover among low-salaried, critical positions in their organizations. ERS may develop and offer other lower-premium benefit options for these employees, but without legislative action, this solution cannot be effectively implemented at this time.

⁶Texas Insurance Code, Section 1551.002

APPENDIX A: How Does GBP Coverage Compare?

The Texas Legislature determines the appropriations for the GBP and the formula that determines the allocation of the monthly premium between the employer and the member, referred to as the contribution strategy. GBP employers pay 100% of the cost of member-only coverage and 50% of the cost of dependent coverage. This works out to a blended employer contribution of 67% for employee and family coverage. The terms “contribution” and “premium” were used interchangeably as equivalent terms when comparing the GBP with other plans.

Benchmarking employer contributions.

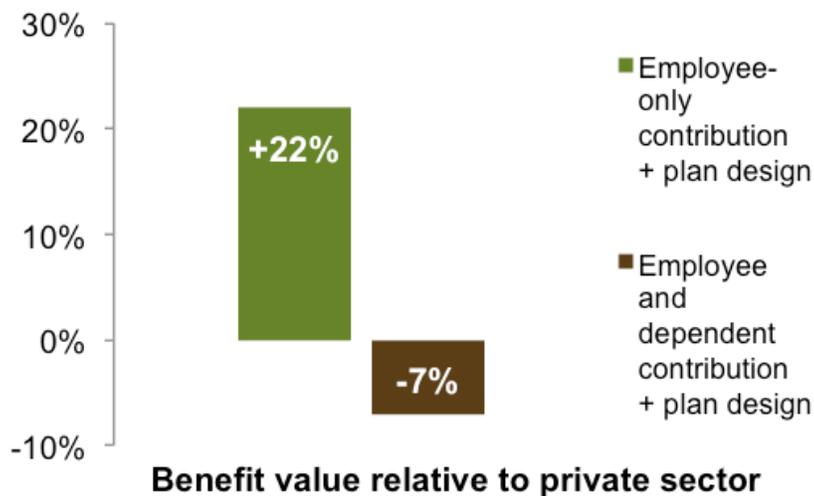
Compared to the GBP, private-sector employers typically pay about 82% of the monthly premium for employee-only coverage, and 71% of the premium for family coverage (Kaiser, 2013). Other state employers generally contribute about 86% for employee-only coverage and 80% for family coverage (NCSL, 2013). In these comparisons, employee- and family-coverage includes coverage for the employee, spouse, and children. Coverage for retirees is not factored into the comparisons.

HealthSelectSM of Texas coverage is competitive.

Although HealthSelect does not have a deductible, many of its copays are higher, especially for prescription drugs. When plan design and premiums are factored together, the total value of HealthSelect coverage is competitive, compared to large private-sector employer insurance coverage.

In summary, the principal difference between HealthSelect and “typical private-sector plans” is the contribution strategy. The State of Texas contribution is more generous for employee-only coverage and less generous for employee and dependent coverage.

Figure 25: HealthSelectSM total value is competitive with the private sector.



Source: ERS Study on the Sustainability of the Texas Employees Group Insurance Program, September 1, 2012

APPENDIX B: The Applicability of the ACA

For plan years beginning in 2015 and later, large employers are subject to the Employer Shared Responsibility (ESR) provisions of the ACA. Under ESR provisions, employers that do not offer affordable health coverage that provides a minimum level of coverage to their full-time employees may be subject to an ESR payment (i.e., a penalty) if at least one of its full-time employees received a premium subsidy for purchasing individual coverage through a public exchange.

While large employers must offer the minimum level of coverage for dependent children, they are not required to offer affordable insurance for spouses (or retirees). Although the ACA requires employers to offer coverage that is affordable, affordability for the entire family is determined based on the cost of coverage to the employee and does not take into account the actual cost to dependents. Nevertheless, the State does have an interest in the health and financial well-being of employees and their families. Each individual employer was required by the ACA to notify its employees of the existence of the public exchanges and the potential that they could be eligible for a tax credit (sometimes called a subsidy).

How did ERS account for ACA issues in the survey?

Before designing the survey, ERS analyzed ACA subsidy qualification guidelines to identify the data needed to make any educated guesses about whether state employees and their dependents would qualify for assistance.

When shopping online for an insurance plan on the ACA exchange, the subsidy calculator asks for the following information:

- state and county of residence,
- family size,
- household income,
- access to employer-based insurance,
- age of each person to be enrolled, and
- tobacco use.

ERS currently collects all of this information on employees, except for family size and household income.

The 2014 survey was designed to collect additional data from respondents on household income and family size. The questions were voluntary, and all data collected was self-reported. The survey also asked the age range of employees' children in an attempt to estimate how many GBP-eligible children could potentially qualify for Medicaid or CHIP. To encourage employees to answer the additional demographic questions about their children, the introductory language of the survey informed employees of the new ACA requirement that they provide insurance coverage for their eligible dependents.

Can GBP-eligible dependents qualify for subsidies on the exchange?

If a GBP-eligible dependent has access to employer-based coverage, whether they are enrolled or not, a federal exchange subsidy is not available. Because the insurance affordability standard only applies to the cost of the employee-only coverage, and the GBP employee-only contribution is \$0, GBP-eligible dependents are not eligible for a subsidy. However, if your household income is low enough and your children are younger than 20, the children may qualify for assistance through Medicaid or CHIP.

APPENDIX C: The Survey

UT-IOE administered the survey to 136,142 state employees. UT-IOE was unable to reach about 11.5% of those surveyed electronically, because the email address provided by the employee to ERS was incorrect, out-of-date, or it filtered the survey invitation into the employee's junk mail. The large majority of surveys (about 90%) went by email, and 14,600 state employees without email addresses were sent personal letters inviting them to take the survey. Paper copies of the survey were made available to state employees who requested them. The survey had a net response rate of 18%, or 21,490 respondents, which was deemed to be a statistically valid response rate with a +/- 3% confidence interval.

The survey focused on four major questions:

- 1. Do state employees have eligible dependents not covered by the GBP?**
- 2. Are GBP health plans affordable and adequate for their needs?**
- 3. Do state employees have other options for covering their dependents?**
- 4. Are state employees interested in dependent coverage that could significantly lower their premiums?**

Alternative benefit plans offered to employees with dependents.

Employees who indicated that they had eligible dependents were directed to a question asking them to choose one of three benefit options, based on the level of dependent coverage they would need if all eligible members of their family were covered. All questions gave the option of choosing HealthSelect, a discounted premium plan, or a zero-premium plan. They could also choose "none of these options would persuade me to change how I currently cover my dependents."

Figure 26: Member + child coverage Options

Current Member + Child Plan				
	Premium (month/year)	Deductible*	Maximum Out-of-Pocket***	Potential Total Spending Premium → (premium + out-of-pocket)
	\$200/\$2,400	\$0 medical/\$50 Rx**	No Maximum	\$2,400 → No Maximum
If given the following options, which would you select?				
	Premium (month/year)	Deductible**	Maximum Out-of-Pocket***	Potential Total Spending Premium → (premium + out-of-pocket)
Option 1:	\$200/\$2,400	\$0 medical/\$50 Rx*	\$12,700	\$2,400 → \$15,100
Option 2:	\$100/\$1,200	\$4,200**	\$4,200	\$1,200 → \$5,400
Option 3:	\$0/\$0	\$6,700**	\$6,700	\$0 → \$6,700

*You pay 100% of the contracted/discounted rate for medical and prescription drugs, up to the deductible.

**Copays and coinsurance apply.

***After you pay this amount, the plan pays 100% of your out-of-pocket medical and prescription drug expenses.

Figure 27: Member + spouse coverage options

Current Member + Spouse Plan				
	Premium (month/year)	Deductible*	Maximum Out-of-Pocket***	Potential Total Spending Premium → (premium + out-of-pocket)
	\$300/\$3,600	\$0 medical/\$50 Rx**	No Maximum	\$3,600 → No Maximum
If given the following options, which would you select?				
	Premium (month/year)	Deductible**	Maximum Out-of-Pocket***	Potential Total Spending Premium → (premium + out-of-pocket)
Option 1:	\$300/\$3,600	\$0 medical/\$50 Rx*	\$12,700	\$3,600 → \$16,300
Option 2:	\$150/\$1,800	\$4,200**	\$4,200	\$1,800 → \$6,000
Option 3:	\$0/\$0	\$6,700**	\$6,700	\$0 → \$6,700

*You pay 100% of the contracted/discounted rate for medical and prescription drugs, up to the deductible.

**Copays and coinsurance apply.

***After you pay this amount, the plan pays 100% of your out-of-pocket medical and prescription drug expenses.

Figure 28: Member + family coverage options

Current Member + Family Plan				
	Premium (month/year)	Deductible*	Maximum Out-of-Pocket***	Potential Total Spending Premium → (premium + out-of-pocket)
	\$500/\$6,000	\$0 medical/\$50 Rx**	No Maximum	\$6,000 → No Maximum
If given the following options, which would you select?				
	Premium (month/year)	Deductible**	Maximum Out-of-Pocket***	Potential Total Spending Premium → (premium + out-of-pocket)
Option 1:	\$500/\$6,000	\$0 medical/\$50 Rx*	\$12,700	\$6,000 → \$18,700
Option 2:	\$250/\$3,000	\$4,200**	\$4,200	\$3,000 → \$7,200
Option 3:	\$0/\$0	\$6,700**	\$6,700	\$0 → \$6,700

*You pay 100% of the contracted/discounted rate for medical and prescription drugs, up to the deductible.

**Copays and coinsurance apply.

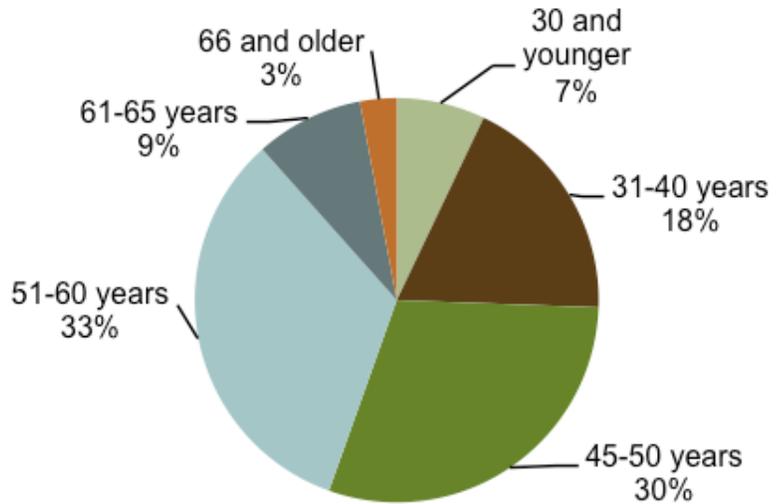
***After you pay this amount, the plan pays 100% of your out-of-pocket medical and prescription drug expenses.

General demographics.

Sixty-five percent of survey respondents were women. This is a typical response rate, as women are generally more likely to respond to a survey than men. It's also a reflection of the fact that there are more women in state employment than men. In other large-scale surveys of the state employee population, the UT-IOE has seen this same response pattern.

The response pattern by age and salary categories is also similar to response patterns for similar census surveys of State of Texas employees and reflects the diversity of the state workforce.

Figure 29: The age distribution of survey respondents reflected the age diversity of the state workforce.

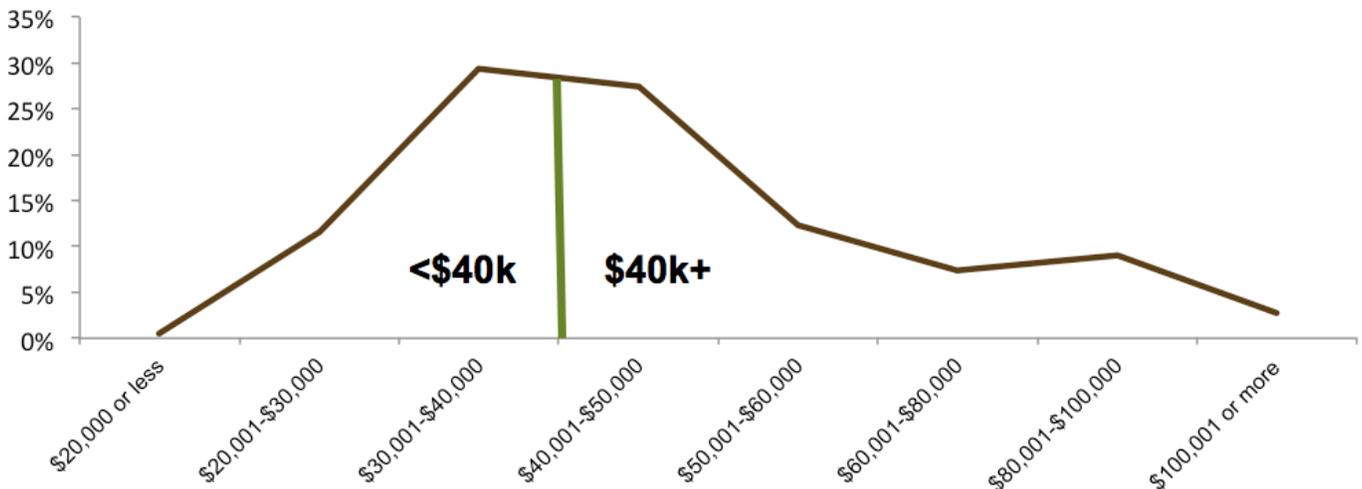


Survey administration.

1. UT-IOE administered the survey instrument to a broad census of 136,142 active employees enrolled in the GBP.
 - a. All full-time state agency employees enrolled in GBP health coverage in ERS' database as of April 1 received the survey in May 2014. The survey also included 3,000 higher education employees with state service. Retirees were not surveyed.
 - b. All but 14,000 surveys were sent electronically. The rest were mailed an invitation to take the survey with a weblink and survey code.
 - c. Pen and paper surveys were made available to state employees upon request.

Figure 30: The median state employee salary is about \$40,000 a year.

The salary group response pattern reflects the diversity of the state workforce.



2. UT-IOE determined that the survey provided a statistically valid sample with a +/- 3% confidence interval.
 - a. Responses as of May 31 leaned toward higher-income employees.
 - b. Two follow-up communications were sent to state employees with incomes less than \$40,000, and the UT-IOE survey link was kept open for an additional two weeks to ensure a representative sample within that target group.

3. A confidential (rather than anonymous) coded survey was used, with the following benefits:
 - a. It limited the number of demographic survey questions, by allowing a backfill of pre-existing data on gender, age, tenure, salary, coverage category, and place of employment.
 - b. Pre-existing demographic information allowed UT-IOE to identify whether target populations were being fairly represented in the sample.
 - c. ERS provided an option to take an uncoded survey on its external website. Employees could fill in their name and agency, which UT-IOE could cross-reference back to their QR code. Surveys that could not be verified against ERS' original data set were not counted in the final results.
4. The survey was designed as a longitudinal study, so it could be repeated to produce trend data.
5. The survey would gather information and serve as an educational tool.

Data limitations and other notes.

1. Many employees may not understand their current benefits or the concept of a deductible plan well enough to have answered the questions reliably.
2. Many complex ideas were communicated in the survey, and an employee who shows interest in a high-deductible option during a five-minute survey may not have the same level of interest when a high-deductible option is offered.
3. Employees with easy access to computers were more likely to respond to the survey. This skewed the early response rate toward higher-income employees. Two targeted reminders boosted the response rate in the lower-income group.
4. "Low income" was defined as \$40,000 a year or less. "Middle income" was defined as \$40,001 to 60,000. "High income" was defined as more than \$60,001 a year.
5. Self-reported household size and income data is inconsistent and unreliable. For example, many employees reported household income that was lower than their individual salaries with the State.
6. Extrapolated conclusions about the number of uninsured dependents of state and higher education employees are less statistically reliable than the percentage response rate in the survey. Extrapolation introduces assumptions, which in turn introduces room for error, especially when small percentages are extrapolated to a large population. For example, assumptions about the state employee population were extrapolated to the higher education employee population, when just 2% of higher education employees were surveyed. While these extrapolated numbers cannot be verified as statistically valid, ERS believes they are reasonable estimates, given the available data. Most important, they do not change the conclusion that a very small percentage of employees enrolled in the GBP have uninsured dependents.
7. Gold-level PPO plans on the ACA exchange are the closest equivalent to GBP coverage in terms of coverage. Apple-to-apple comparisons of plan design features will be more difficult, as most of the exchange plans have deductibles – while the GBP plan does not.
8. The survey may not fully answer the question "what is affordable?" A \$0 premium option should meet the definition of "affordable," but the premium does not represent the full cost of the option.
9. The GBP is restricted from reporting personal health information, which means we cannot factor in the effect of high- or low-medical spending on a person's preferences in the survey.

APPENDIX D: Participants in the Survey Preview Sessions

State agency representatives represented at the survey previews on March 24, 2014.

Texas Health and Human Services Commission

- Natalie Daniel
- Tanya Aragon

Texas Department of Family and Protective Services

- Joan Miller

Texas Department of Aging and Disability Services

- Robbi Craig

Texas Department of State Health Services

- Joanne Day
(Texas State Employees Union representative)

Texas Department of Public Safety

- Cindy Torres
- Cherish McKemie

Texas Department of Juvenile Justice

- Monique Mendoza
- Crestal Morrison

Texas Department of Criminal Justice

- Patty Garcia
- Ron Steffa

Texas Parks and Wildlife Department

- Patty Halliburton
- Jacob Crumpton
(Texas Game Warden Association representative)
- Zack Moerbe
(Texas Game Warden Association representative)

Policy makers represented at the survey preview on April 4, 2014.

Governor Rick Perry

- Juan Garcia

Senator Robert Duncan

- Porter Wilson

Senator Kirk Watson

- Lora Ann Gerson

Senator Charles Schwertner

- Nelson Jarrin

Speaker Joe Straus

- Meredyth Fowler

Representative Donna Howard

- Scott Daigle

Representative Elliott Naishtat

- Jessica Boston

House Appropriations Committee

- Keith Yawn

Legislative Budget Board

- Emily Morganti
- Katy Fallon

APPENDIX E: Income Limits for ACA Subsidies, Texas Medicaid and CHIP

Based on 2014 Federal Poverty Guidelines	Size of Household							
	1	2	3	4	5	6	7	8
400% FPL Max income for ACA premium subsidies	\$46,680	\$62,920	\$79,160	\$95,400	\$111,640	\$127,880	\$144,120	\$160,360
250% FPL Max income for lower ACA out-of-pocket costs	\$29,175	\$39,325	\$49,475	\$59,625	\$69,775	\$79,925	\$90,075	\$100,225
201% of FPL Max income for TX CHIP	\$23,457	\$31,617	\$39,778	\$47,939	\$56,099	\$64,260	\$72,420	\$80,581
198% of FPL Max income for TX Medicaid (Child 0-1)	\$23,107	\$31,145	\$39,184	\$47,223	\$55,262	\$63,301	\$71,339	\$79,378
144% of FPL Max income for TX Medicaid (Child 1-5)	\$16,805	\$22,651	\$28,498	\$34,344	\$40,190	\$46,037	\$51,883	\$57,730
133% of FPL Max income for TX Medicaid (Child 6-18)	\$15,521	\$20,921	\$26,321	\$31,721	\$37,120	\$42,520	\$47,920	\$53,320
100% of FPL Min income for ACA premium subsidies and lower out-of-pocket costs	\$11,670	\$15,730	\$19,790	\$23,850	\$27,910	\$31,970	\$36,030	\$40,090
15% of FPL Max income for TX Medicaid parents of dependent children	\$1,751	\$2,360	\$2,969	\$3,578	\$4,187	\$4,796	\$5,405	\$6,014

In order to qualify for ACA premium subsidies, you must be under age 65, and you must not be eligible for coverage through your employer, your spouse's employer, Medicaid, or Medicare. Adults who earn less than 100% of the FPL (\$11,670 a year for an individual) are not eligible for an ACA premium subsidy.

AGENCY PROFILE: Texas Department of Criminal Justice

There were 2,418 survey respondents from the Texas Department of Criminal Justice (TDCJ), from a total of 21,490 survey respondents from all Texas state agencies (TSA). This represents about 11% of the total survey sample.

The following chart illustrates how TDCJ respondents cover their dependents compared to respondents from other state agencies, by salary range. Some percentages may not add to 100 due to rounding.

Coverage: My dependents are...	All Respondents		Up to \$40,000		\$40,001-\$60,000		\$60,001+	
	TDCJ	TSA	TDCJ	TSA	TDCJ	TSA	TDCJ	TSA
Children								
covered under my ERS health plan.	73.2%	73.5%	63.1%	62.0%	82.0%	79.2%	25.0%	84.9%
currently uninsured (w/o health insurance).	5.2%	3.7%	9.1%	6.6%	1.9%	2.2%	0.0%	0.6%
covered under another health plan.	21.7%	22.9%	27.8%	31.4%	16.2%	18.5%	75.0%	14.5%
Spouse								
covered under my ERS health plan.	46.3%	44.5%	42.9%	38.4%	48.1%	44.7%	70.3%	53.3%
currently uninsured (w/o health insurance).	7.6%	5.5%	13.1%	10.7%	2.8%	3.6%	0.0%	1.0%
covered under another health plan.	46.1%	50.0%	43.9%	50.9%	49.1%	51.7%	29.7%	45.7%

Survey respondents were given four different plan options from which to choose. The chart below compares plan preferences for all TDCJ survey respondents and all Texas state agencies (TSA). Plan preferences are only presented for employees with uninsured children. Some percentages may not add to 100 due to rounding.

If given the following plan options, which would you select?	All Respondents		Uninsured Children	
	TDCJ	TSA	TDCJ	TSA
Option 1: Same as current plan with maximum out-of-pocket	32.9%	34.2%	11.1%	18.6%
Option 2: Discounted premium and higher deductible	12.0%	13.3%	27.8%	18.3%
Option 3: Zero premium and higher deductible	8.8%	10.2%	24.1%	20.6%
Option 4: Would not persuade changing how I cover my dependents	46.3%	42.3%	37.0%	42.4%

Of all Texas Department of Criminal Justice survey respondents with dependents, 20.8% would consider a higher-deductible plan, as compared to 23.5% of survey respondents from all Texas state agencies.

AGENCY PROFILE: Health and Human Services Commission

There were 2,297 survey respondents from the Health and Human Services Commission (HHSC), from a total of 21,490 survey respondents from all Texas state agencies (TSA). This represents about 11% of the total survey sample.

The following chart illustrates how HHSC respondents cover their dependents compared to respondents from other state agencies, by salary range. Some percentages may not add to 100 due to rounding.

Coverage: My dependents are...	All Respondents		Up to \$40,000		\$40,001-\$60,000		\$60,001+	
	HHSC	TSA	HHSC	TSA	HHSC	TSA	HHSC	TSA
Children								
covered under my ERS health plan.	68.2%	73.5%	58.7%	62.0%	81.4%	79.2%	85.7%	84.9%
currently uninsured (w/o health insurance).	5.1%	3.7%	7.2%	6.6%	2.7%	2.2%	0.0%	0.6%
covered under another health plan.	26.6%	22.9%	34.1%	31.4%	15.8%	18.5%	14.3%	14.5%
Spouse								
covered under my ERS health plan.	40.2%	44.5%	38.1%	38.4%	42.5%	44.7%	42.5%	53.3%
currently uninsured (w/o health insurance).	10.3%	5.5%	15.8%	10.7%	5.1%	3.6%	2.5%	1.0%
covered under another health plan.	49.5%	50.0%	46.1%	50.9%	52.4%	51.7%	55.0%	45.7%

Survey respondents were given four different plan options from which to choose. The chart below compares plan preferences for all HHSC survey respondents and all Texas state agencies (TSA). Plan preferences are only presented for employees with uninsured children. Some percentages may not add to 100 due to rounding.

If given the following plan options, which would you select?	All Respondents		Uninsured Children	
	HHSC	TSA	HHSC	TSA
Option 1: Same as current plan with maximum out-of-pocket	33.8%	34.2%	23.2%	18.6%
Option 2: Discounted premium and higher deductible	10.5%	13.3%	10.7%	18.3%
Option 3: Zero premium and higher deductible	9.8%	10.2%	14.3%	20.6%
Option 4: Would not persuade changing how I cover my dependents	45.9%	42.3%	51.8%	42.4%

Of all Health and Human Services Commission survey respondents with dependents, 20.3% would consider a higher-deductible plan, as compared to 23.5% of survey respondents from all Texas state agencies.

AGENCY PROFILE: Texas Department of Transportation

There were 2,183 survey respondents from the Texas Department of Transportation (TXDOT), from a total of 21,490 survey respondents from all Texas state agencies (TSA). This represents about 10% of the total survey sample.

The following chart illustrates how TXDOT respondents cover their dependents compared to respondents from other state agencies, by salary range. Some percentages may not add to 100 due to rounding.

Coverage: My dependents are...	All Respondents		Up to \$40,000		\$40,001-\$60,000		\$60,001+	
	TXDOT	TSA	TXDOT	TSA	TXDOT	TSA	TXDOT	TSA
Children								
covered under my ERS health plan.	80.7%	73.5%	68.6%	62.0%	82.3%	79.2%	87.4%	84.9%
currently uninsured (w/o health insurance).	2.0%	3.7%	4.4%	6.6%	1.6%	2.2%	0.8%	0.6%
covered under another health plan.	17.3%	22.9%	26.9%	31.4%	16.1%	18.5%	11.8%	14.5%
Spouse								
covered under my ERS health plan.	51.8%	44.5%	48.2%	38.4%	49.9%	44.7%	57.1%	53.3%
currently uninsured (w/o health insurance).	3.0%	5.5%	7.0%	10.7%	2.4%	3.6%	0.9%	1.0%
covered under another health plan.	45.2%	50.0%	44.8%	50.9%	47.7%	51.7%	42.0%	45.7%

Survey respondents were given four different plan options from which to choose. The chart below compares plan preferences for all TXDOT survey respondents and all Texas state agencies (TSA). Plan preferences are only presented for employees with uninsured children. Some percentages may not add to 100 due to rounding.

If given the following plan options, which would you select?	All Respondents		Uninsured Children	
	TXDOT	TSA	TXDOT	TSA
Option 1: Same as current plan with maximum out-of-pocket	33.9%	34.2%	4.8%	18.6%
Option 2: Discounted premium and higher deductible	14.9%	13.3%	28.6%	18.3%
Option 3: Zero premium and higher deductible	12.6%	10.2%	23.8%	20.6%
Option 4: Would not persuade changing how I cover my dependents	38.6%	42.3%	42.9%	42.4%

Of all Texas Department of Transportation survey respondents with dependents, 27.5% would consider a higher-deductible plan, as compared to 23.5% of survey respondents from all Texas state agencies.

AGENCY PROFILE: Department of Family and Protective Services

There were 2,175 survey respondents from the Department of Family and Protective Services (DFPS), from a total of 21,490 survey respondents from all Texas state agencies (TSA). This represents about 10% of the total survey sample.

The following chart illustrates how DFPS respondents cover their dependents compared to respondents from other state agencies, by salary range. Some percentages may not add to 100 due to rounding.

Coverage: My dependents are...	All Respondents		Up to \$40,000		\$40,001-\$60,000		\$60,001+	
	DFPS	TSA	DFPS	TSA	DFPS	TSA	DFPS	TSA
Children								
covered under my ERS health plan.	71.2%	73.5%	62.6%	62.0%	78.1%	79.2%	87.9%	84.9%
currently uninsured (w/o health insurance).	3.5%	3.7%	4.8%	6.6%	2.5%	2.2%	0.0%	0.6%
covered under another health plan.	25.3%	22.9%	32.6%	31.4%	19.3%	18.5%	12.1%	14.5%
Spouse								
covered under my ERS health plan.	36.5%	44.5%	33.6%	38.4%	36.7%	44.7%	55.9%	53.3%
currently uninsured (w/o health insurance).	8.0%	5.5%	10.4%	10.7%	6.6%	3.6%	1.5%	1.0%
covered under another health plan.	55.5%	50.0%	56.0%	50.9%	56.8%	51.7%	42.6%	45.7%

Survey respondents were given four different plan options from which to choose. The chart below compares plan preferences for all DFPS survey respondents and all Texas state Agencies (TSA). Plan preferences are only presented for employees with uninsured children. Some percentages may not add to 100 due to rounding.

If given the following plan options, which would you select?	All Respondents		Uninsured Children	
	DFPS	TSA	DFPS	TSA
Option 1: Same as current plan with maximum out-of-pocket	33.7%	34.2%	20.0%	18.6%
Option 2: Discounted premium and higher deductible	13.2%	13.3%	12.5%	18.3%
Option 3: Zero premium and higher deductible	8.4%	10.2%	30.0%	20.6%
Option 4: Would not persuade changing how I cover my dependents	44.7%	42.3%	37.5%	42.4%

Of all Department of Family and Protective Services survey respondents with dependents, 21.6% would consider a higher-deductible plan, as compared to 23.5% of survey respondents from all Texas state agencies.

AGENCY PROFILE: Department of State Health Services

There were 1,736 survey respondents from the Department of State Health Services (DSHS), from a total of 21,490 survey respondents from all Texas state agencies (TSA). This represents about 8% of the total survey sample.

The following chart illustrates how DSHS respondents cover their dependents compared to respondents from other state agencies, by salary range. Some percentages may not add to 100 due to rounding.

Coverage: My dependents are...	All Respondents		Up to \$40,000		\$40,001-\$60,000		\$60,001+	
	DSHS	TSA	DSHS	TSA	DSHS	TSA	DSHS	TSA
Children								
covered under my ERS health plan.	68.3%	73.5%	57.1%	62.0%	79.0%	79.2%	82.0%	84.9%
currently uninsured (w/o health insurance).	4.9%	3.7%	8.4%	6.6%	1.1%	2.2%	2.0%	0.6%
covered under another health plan.	26.8%	22.9%	34.6%	31.4%	19.9%	18.5%	16.0%	14.5%
Spouse								
covered under my ERS health plan.	44.4%	44.5%	41.3%	38.4%	43.4%	44.7%	56.9%	53.3%
currently uninsured (w/o health insurance).	5.4%	5.5%	8.8%	10.7%	3.4%	3.6%	0.0%	1.0%
covered under another health plan.	50.2%	50.0%	50.0%	50.9%	53.2%	51.7%	43.1%	45.7%

Survey respondents were given four different plan options from which to choose. The chart below compares plan preferences for all DSHS survey respondents and all Texas state agencies (TSA). Plan preferences are only presented for employees with uninsured children. Some percentages may not add to 100 due to rounding.

If given the following plan options, which would you select?	All Respondents		Uninsured Children	
	DSHS	TSA	DSHS	TSA
Option 1: Same as current plan with maximum out-of-pocket	34.8%	34.2%	22.6%	18.6%
Option 2: Discounted premium and higher deductible	12.3%	13.3%	11.8%	18.3%
Option 3: Zero premium and higher deductible	9.0%	10.2%	11.8%	20.6%
Option 4: Would not persuade changing how I cover my dependents	43.8%	42.3%	55.9%	42.4%

Of all Department of State Health Services survey respondents with dependents, 21.3% would consider a higher-deductible plan, as compared to 23.5% of survey respondents from all Texas state agencies.

AGENCY PROFILE: Department of Aging and Disability Services

There were 1,580 survey respondents from the Department of Aging and Disability Services (DADS), from a total of 21,490 survey respondents from all Texas state agencies (TSA). This represents about 7% of the total survey sample.

The following chart illustrates how DADS respondents cover their dependents compared to respondents from other state agencies, by salary range. Some percentages may not add to 100 due to rounding.

Coverage: My dependents are...	All Respondents		Up to \$40,000		\$40,001-\$60,000		\$60,001+	
	DADS	TSA	DADS	TSA	DADS	TSA	DADS	TSA
Children								
covered under my ERS health plan.	68.5%	73.5%	58.8%	62.0%	79.6%	79.2%	81.0%	84.9%
currently uninsured (w/o health insurance).	5.1%	3.7%	6.5%	6.6%	4.8%	2.2%	0.0%	0.6%
covered under another health plan.	26.4%	22.9%	34.8%	31.4%	15.7%	18.5%	19.0%	14.5%
Spouse								
covered under my ERS health plan.	42.5%	44.5%	37.6%	38.4%	43.1%	44.7%	58.1%	53.3%
currently uninsured (w/o health insurance).	6.7%	5.5%	9.9%	10.7%	4.1%	3.6%	1.9%	1.0%
covered under another health plan.	50.8%	50.0%	52.8%	50.9%	52.8%	51.7%	40.0%	45.7%

Survey respondents were given four different plan options from which to choose. The chart below compares plan preferences for all DADS survey respondents and all Texas state agencies (TSA). Plan preferences are only presented for employees with uninsured children. Some percentages may not add to 100 due to rounding.

If given the following plan options, which would you select?	All Respondents		Uninsured Children	
	DADS	TSA	DADS	TSA
Option 1: Same as current plan with maximum out-of-pocket	36.3%	34.2%	17.6%	18.6%
Option 2: Discounted premium and higher deductible	11.6%	13.3%	11.8%	18.3%
Option 3: Zero premium and higher deductible	8.9%	10.2%	17.6%	20.6%
Option 4: Would not persuade changing how I cover my dependents	43.3%	42.3%	52.9%	42.4%

Of all Department of Family and Protective Services survey respondents with dependents, 20.5% would consider a higher-deductible plan, as compared to 23.5% of survey respondents from all Texas state agencies.

AGENCY PROFILE: Texas Commission on Environmental Quality

There were 943 survey respondents from the Texas Commission on Environmental Quality (TCEQ), from a total of 21,490 survey respondents from all Texas state agencies (TSA). This represents about 4% of the total survey sample.

The following chart illustrates how TCEQ respondents cover their dependents compared to respondents from other state agencies, by salary range. Some percentages may not add to 100 due to rounding.

Coverage: My dependents are...	All Respondents		Up to \$40,000		\$40,001-\$60,000		\$60,001+	
	TCEQ	TSA	TCEQ	TSA	TCEQ	TSA	TCEQ	TSA
Children								
covered under my ERS health plan.	73.7%	73.5%	60.9%	62.0%	68.8%	79.2%	84.3%	84.9%
currently uninsured (w/o health insurance).	1.9%	3.7%	2.9%	6.6%	2.6%	2.2%	0.6%	0.6%
covered under another health plan.	24.4%	22.9%	36.2%	31.4%	28.6%	18.5%	15.1%	14.5%
Spouse								
covered under my ERS health plan.	37.9%	44.5%	30.1%	38.4%	33.2%	44.7%	45.1%	53.3%
currently uninsured (w/o health insurance).	2.4%	5.5%	3.6%	10.7%	2.7%	3.6%	1.7%	1.0%
covered under another health plan.	59.7%	50.0%	66.3%	50.9%	64.2%	51.7%	53.2%	45.7%

Survey respondents were given four different plan options from which to choose. The chart below compares plan preferences for all TCEQ survey respondents and all Texas state agencies (TSA). Plan preferences are only presented for state employees with uninsured children. Some percentages may not add to 100 due to rounding.

If given the following plan options, which would you select?	All Respondents		Uninsured Children	
	TCEQ	TSA	TCEQ	TSA
Option 1: Same as current plan with maximum out-of-pocket	34.0%	34.2%	12.5%	18.6%
Option 2: Discounted premium and higher deductible	16.2%	13.3%	25.0%	18.3%
Option 3: Zero premium and higher deductible	12.2%	10.2%	37.5%	20.6%
Option 4: Would not persuade changing how I cover my dependents	37.5%	42.3%	25.0%	42.4%

Of all Texas Commission on Environmental Quality survey respondents with dependents, 28.4% would consider a higher-deductible plan, as compared to 23.5% of survey respondents from all Texas state agencies.

AGENCY PROFILE: Texas Workforce Commission

There were 936 survey respondents from the Texas Workforce Commission (TWC), from a total of 21,490 survey respondents from all Texas state agencies (TSA). This represents about 4% of the total survey sample.

The following chart illustrates how TWC respondents cover their dependents compared to respondents from other state agencies, by salary range. Some percentages may not add to 100 due to rounding.

Coverage: My dependents are...	All Respondents		Up to \$40,000		\$40,001-\$60,000		\$60,001+	
	TWC	TSA	TWC	TSA	TWC	TSA	TWC	TSA
Children								
covered under my ERS health plan.	68.5%	73.5%	57.4%	62.0%	79.2%	79.2%	86.4%	84.9%
currently uninsured (w/o health insurance).	6.7%	3.7%	10.7%	6.6%	3.2%	3.2%	0.0%	0.6%
covered under another health plan.	24.8%	22.9%	32.0%	31.4%	17.6%	18.5%	14.3%	14.5%
Spouse								
covered under my ERS health plan.	42.2%	44.5%	34.5%	38.4%	48.2%	44.7%	48.8%	53.3%
currently uninsured (w/o health insurance).	5.6%	5.5%	11.7%	10.7%	1.2%	3.6%	0.0%	1.0%
covered under another health plan.	52.1%	50.0%	53.8%	50.9%	50.6%	51.7%	51.3%	45.7%

Survey respondents were given four different plan options from which to choose. The chart below compares plan preferences for all TWC survey respondents and all Texas state agencies (TSA). Plan preferences are only presented for employees with uninsured children. Some percentages may not add to 100 due to rounding.

If given the following plan options, which would you select?	All Respondents		Uninsured Children	
	TWC	TSA	TWC	TSA
Option 1: Same as current plan with maximum out-of-pocket	32.5%	34.2%	16.0%	18.6%
Option 2: Discounted premium and higher deductible	12.8%	13.3%	28.0%	18.3%
Option 3: Zero premium and higher deductible	9.6%	10.2%	16.0%	20.6%
Option 4: Would not persuade changing how I cover my dependents	45.1%	42.3%	40.0%	42.4%

Of all Texas Workforce Commission survey respondents with dependents, 22.4% would consider a higher-deductible plan, as compared to 23.5% of survey respondents from all Texas state agencies.

AGENCY PROFILE: Department of Assistive and Rehabilitative Services

There were 731 survey respondents from the Department of Assistive and Rehabilitative Services (DARS), from a total of 21,490 survey respondents from all Texas state agencies (TSA). This represents about 3% of the total survey sample.

The following chart illustrates how DARS respondents cover their dependents compared to respondents from other state agencies, by salary range. Some percentages may not add to 100 due to rounding.

Coverage: My dependents are...	All Respondents		Up to \$40,000		\$40,001-\$60,000		\$60,001+	
	DARS	TSA	DARS	TSA	DARS	TSA	DARS	TSA
Children								
covered under my ERS health plan.	77.3%	73.5%	72.8%	62.0%	78.2%	79.2%	80.0%	84.9%
currently uninsured (w/o health insurance).	1.9%	3.7%	1.2%	6.6%	1.8%	2.2%	2.9%	0.6%
covered under another health plan.	20.9%	22.9%	25.9%	31.4%	20.0%	18.5%	17.1%	14.5%
Spouse								
covered under my ERS health plan.	47.2%	44.5%	42.5%	38.4%	47.4%	44.7%	51.2%	53.3%
currently uninsured (w/o health insurance).	3.7%	5.5%	6.3%	10.7%	4.2%	3.6%	0.0%	1.0%
covered under another health plan.	49.2%	50.0%	51.3%	50.9%	48.4%	51.7%	48.8%	45.7%

Survey respondents were given four different plan options from which to choose. The chart below compares plan preferences for all DARS survey respondents and all Texas state agencies (TSA). Plan preferences are only presented for employees with uninsured children. Some percentages may not add to 100 due to rounding.

If given the following plan options, which would you select?	All Respondents		Uninsured Children	
	DARS	TSA	DARS	TSA
Option 1: Same as current plan with maximum out-of-pocket	32.1%	34.2%	40.0%	18.6%
Option 2: Discounted premium and higher deductible	14.0%	13.3%	40.0%	18.3%
Option 3: Zero premium and higher deductible	9.2%	10.2%	0.0%	20.6%
Option 4: Would not persuade changing how I cover my dependents	44.8%	42.3%	20.0%	42.4%

Of all Department of Assistive and Rehabilitative Services survey respondents with dependents, 23.2% would consider a higher-deductible plan, as compared to 23.5% of survey respondents from all Texas state agencies.

AGENCY PROFILE: Texas Department of Public Safety

There were 627 survey respondents from the Department of Public Safety (DPS), from a total of 21,490 survey respondents from all Texas state agencies (TSA). This represents about 3% of the total survey sample.

The following chart illustrates how DPS respondents cover their dependents compared to respondents from other state agencies, by salary range. Some percentages may not add to 100 due to rounding.

Coverage: My dependents are...	All Respondents		Up to \$40,000		\$40,001-\$60,000		\$60,001+	
	DPS	TSA	DPS	TSA	DPS	TSA	DPS	TSA
Children								
covered under my ERS health plan.	76.4%	73.5%	60.2%	62.0%	82.3%	79.2%	89.5%	84.9%
currently uninsured (w/o health insurance).	3.0%	3.7%	5.3%	6.6%	3.8%	2.2%	0.0%	0.6%
covered under another health plan.	20.5%	22.9%	34.5%	31.4%	13.9%	18.5%	10.5%	14.5%
Spouse								
covered under my ERS health plan.	49.3%	44.5%	31.3%	38.4%	51.6%	44.7%	65.9%	53.3%
currently uninsured (w/o health insurance).	5.3%	5.5%	10.4%	10.7%	3.2%	3.6%	1.5%	1.0%
covered under another health plan.	45.4%	50.0%	58.2%	50.9%	45.3%	51.7%	32.6%	45.7%

Survey respondents were given four different plan options from which to choose. The chart below compares plan preferences for all DPS survey respondents and all Texas State Agencies (TSA). Plan preferences are only presented for employees with uninsured children. Some percentages may not add to 100 due to rounding.

If given the following plan options, which would you select?	All Respondents		Uninsured Children	
	DPS	TSA	DPS	TSA
Option 1: Same as current plan with maximum out-of-pocket	33.7%	34.2%	11.1%	18.6%
Option 2: Discounted premium and higher deductible	14.9%	13.3%	11.1%	18.3%
Option 3: Zero premium and higher deductible	10.8%	10.2%	33.3%	20.6%
Option 4: Would not persuade changing how I cover my dependents	40.5%	42.3%	44.4%	42.4%

Of all Department of Public Safety survey respondents with dependents, 25.7% would consider a higher-deductible plan, as compared to 23.5% of survey respondents from all Texas state agencies.

Contact Information:

www.ers.state.tx.us

To call:
(877) 275-4377, toll-free

To visit:
200 E. 18th Street, Austin Texas 78701

To write:
P. O. Box 13207, Austin, Texas 78711-3207

**THE INTERIM REPORT ON ALTERNATIVE HEALTH INSURANCE OPTIONS WAS
PRODUCED BY:**

ERS GOVERNMENTAL AFFAIRS

Dana Jepson, MPAff, Senior Coordinator of Research and Policy

ERS BENEFIT CONTRACTS

Robert Kukla, Director
Blaise Duran, Research

ERS BENEFITS COMMUNICATIONS

Michael Martinez, Designer

THE UNIVERSITY OF TEXAS INSTITUTE FOR ORGANIZATIONAL EXCELLENCE

Noel Landuyt, PhD, Director



200 E. 18th Street • P.O. Box 13207
Austin, Texas 78711-3207
www.ers.state.tx.us